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In Tehran, Jet Loss Stirs Weary People

By Karen DeYoung
Washington Post Service

TEHRAN — Eight years of war, isolation and a failing economy are beginning to take their toll on Iran's Islamic revolution.

The shooting down of the Iranian airliner a week ago, uniting the country again in nationalistic outrage against an outsider, brought a pause in mounting public expressions of dissatisfaction, and has overshadowed an increasingly open schism between factions here over the war with Iraq and the revolution's course itself.

But the halt is likely to be only temporary. According to a number of Western diplomatic and Iranian sources, the pressures on, and within, the regime are likely to resurface quickly and multiply.

"It is a political, social and economic crisis," said a diplomat. "Things have been changing quickly since the beginning of the year."

Among the events of 1988 have been demonstrations and riots between supporters of conservative and radical clerical factions. There have been other reports of protests against privileges to members of the Revolutionary Guard.

The axis around which conflict here is spinning is the death watch for the spiritual leader, Ayatollah Ruhollah Khomeini, 88, who is believed to be quickly nearing the end of a long battle with prostate cancer. Although statements are issued in his name, the ayatollah has not been seen in public for weeks.

On one side of the battle for post-Khomeini power is the speaker of parliament, Hashemi Rafsanjani, considered a pragmatist and a relative moderate who reportedly

believes that the cost of the war, Iran's isolation and pressures for economic radicalism ultimately will undercut the revolution.

Mr. Rafsanjani is supported by some senior ministers and a significant part of the armed forces, as well as the Council of Guardians. The majority of the council, which scrutinizes legislation to make sure

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it conforms with Islamic law, is composed of conservative mullahs allied on economic issues with the private business community.

On the other side is Interior Minister Mohammed Montashemi, considered the head of "radical" forces in the government.

A former ambassador to Syria, Mr. Montashemi has close ties to the Iranian-backed Hezbollah organizations believed to be holding Western hostages in Lebanon. It was considered to have been instrumental in the 1983 bombing of the U.S. Marine barracks in Beirut.

The radicals have taken a hard line on the war and relations with the West and moderate Arab countries, and have pushed for rapid retaliation against the United States for the downing of the Iranian airliner.

In elections during April and May for the Majlis, or parliament, the radicals for the first time achieved a majority and now hold about 60 percent of its 244 seats.

Radicals count on the additional
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U.S. may offer compensation to the families of passengers and crew killed in airliner. Page 6.

Failures in B-1B Design Said to Cripple Bomber

By Molly Moore
Washington Post Service

WASHINGTON — New tests have revealed design flaws in the B-1B bomber's electronic warfare system that could prevent the fast, sophisticated plane from ever achieving the full capabilities intended for it by the U.S. Air Force, according to a congressional document and Pentagon sources.

The new problems could force the U.S. Air Force to reroute potential bombing runs over the Soviet Union to intended targets.

The tests found that parts of the plane's electronic countermeasures system — designed to help protect the low-flying aircraft on deep-penetration missions — do not work and cannot be corrected without major changes, air force officials said.

The air force said in a statement that the system was discovered to be incapable of meeting "specification requirements."

"For that reason," it added, "we are now assessing our options."

Les Aspin, chairman of the House Armed Services Committee, who received a classified briefing last week on the problems, called the test results a major setback for the \$2.8 billion project.

"The plane was designed to be capable of a nuclear attack against the Soviet Union," said Mr. Aspin, Democrat of Wisconsin, a critic of the air force's management of the bomber program. "It is now called into question whether it will ever be."

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Kiosk

Afghan Rebels Bombard Cities

MOSCOW (AP) — Rebels have bombarded cities and towns across Afghanistan with rockets and artillery in a wave of attacks that killed or wounded more than 150 civilians, the Soviet press agency Tass reported Sunday.

In a report from Kabul, the Afghan capital, Tass said that the attacks occurred over the last 48 hours. It said pack animals carrying heavy weapons for the guerrillas.

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General News

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Senator Sam Nunn has offered a defense agenda for the next U.S. president. Page 4.

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Four OPEC members are said to seek an emergency meeting on falling oil prices. Page 13.

Special Report

Japan's exporters are on the rebound, confounding experts who did not expect them to recover so quickly from the yen's sharp rise. Personal Investing. Pages 7-10.



CHALLENGE IN MEXICO — A member of the opposition National Action Party asking the Federal Election Commission on Sunday why official results of the national elections on Wednesday have not been released. The governing Institutional Revolutionary Party has said its candidate won the election. Page 6.

Polish Elite Find an Unlikely Hero — a Russian

By Jackson Diehl
Washington Post Service

WARSAW — Adam Michnik, Poland's renowned dissident activist, says his friends were amazed to discover that he had become an avid reader of the Soviet press.

"I would come home with an armload of papers and my wife would say, 'How can you carry those things around in public? What will the neighbors think?'"

Two of Poland's oldest traditions are dislike of Russia and its rulers — whether czarist or Soviet — and intellectuals' resistance to influence from the East.

For more than two centuries, relations between the two nations have been governed by an unending cycle of subjugation, conflict and conquest.

It is because of that historical legacy that Mikhail S. Gorbachev, who begins a six-day visit to Poland

on Monday, faces a special challenge.

Yet Mr. Michnik's compulsive reading offers a signal: Never before have Poland's political and intellectual elite been so open to a Soviet ruler.

"This is a turning point in Polish-Russian relations," said Mr. Michnik, who recently wrote a two-part study of the anti-Stalinist campaign under way in the Soviet press for the Catholic weekly Tygodnik Powszechny.

"These relations could now be completely different than what they have been for the last 200 years. But it depends a lot on Gorbachev."

So far, Mr. Gorbachev's leadership has had only a limited impact on Poland and its seemingly endless political and economic crises.

The government of General Wojciech Jaruzelski, which frequently boasts of a close alliance with the

Kremlin leader, has introduced some liberalization measures since 1986, but it has stopped short of major change.

Increasingly, however, leading Poles are looking to Mr. Gorbachev's rule to create conditions for fundamental reforms in Poland, as well as for deep change in the Polish-Soviet relationship.

"There is a feeling that Gorbachev started a process that he didn't plan and which will lead to the democratization of the system," said a dissident, Jan Litynski.

The fascination with Mr. Gorbachev is particularly remarkable because of the almost complete alienation of Polish intellectuals from the Communist system since suppression of the independent Solidarity union in 1981.

For years, Polish journalists, writers and artists have focused on

creating their own "civil society" free of Communist influence.

What has yet to be tested is the degree to which Mr. Gorbachev favors a rebuilding of his country's most challenging alliance. During his last visit to Warsaw, in 1986, the Soviet leader spoke candidly about overcoming the "wars, violence and seizures of territory" that "poisoned the minds of the people and aroused mutual hostility."

At the same time, he has expressed support for the cautious and increasingly unpopular leadership of General Jaruzelski, and the Soviet press has published hard-line accounts of recent strikes and protests by the outlawed Solidarity.

"The difference between the way the Soviet press covers the strikes in Poland and the way they covered these in Armenia is amazing," said Mr. Michnik. "Judging from the coverage of Poland, the Soviet atti-

tude toward the country is stuck in the Brezhnev era, or even the Stalinist era."

For many Poles, the key test of Mr. Gorbachev's attitude has become his handling of the issue of Katyn Forest, a World War II massacre of at least 11,000 Polish Army officers and soldiers captured by the Red Army in 1939.

Moscow has blamed the crime on German troops, and for years Katyn, as it is called, has been a symbol for many Poles of injuries suffered at the hands of Russia.

During the last year, a Polish-Soviet commission of historians has been studying what Mr. Gorbachev has dubbed the "blank spots," or formerly taboo topics of Polish-Soviet history, and the official news media in both countries have detailed such events as the Soviet occupation of Eastern Poland in 1939

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Israel Objects to Arms Sale

U.K.-Saudi Deal Is Termed Threat To Mideast Peace

By Glenn Frankel
Washington Post Service

JERUSALEM — Israeli leaders warned Sunday that the multi-billion-dollar British arms agreement with Saudi Arabia marked a significant escalation of the Middle East arms race and threatened the region's already faltering peace process.

Prime Minister Yitzhak Shamir's chief of staff, Yosef Ben-Aharon, said at a conference of American rabbis in Jerusalem that Britain was pursuing its own economic interests at the expense of Middle East peace.

He warned that the Tornado fighter-bombers being supplied by Britain would enable Saudi Arabia "to hit us in the soft underbelly from the south, using the long arm it is now acquiring."

Defense Minister Yitzhak Rabin refrained from directly criticizing Prime Minister Margaret Thatcher's government but said at the same meeting that the Tornado was an attack weapon rather than a defensive one. He said the transaction, which he valued at \$20 to \$30 billion, would further accelerate the arms race in the Middle East.

In the regular cabinet meeting Sunday, Israeli radio reported, former Defense Minister Moshe Arens of the hard-line Likud bloc called the Tornado the best low-level attack plane in the world.

Mr. Arens said the cabinet should reconsider the decision it made last summer to scrap the multi-billion-dollar Lavi jet fighter. He maintained that Israel was losing its technological edge and its independence in the production of weapons systems.

Another former defense minister, Ezer Weizman of the more dovish Labor alignment, reportedly disparaged the Tornado, however, calling it a flying piano.

Mr. Weizman suggested that Israel might have erred in opposing and helping to kill the Reagan administration's efforts to sell F-15 and F-16 warplanes to Saudi Ara-

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Grosz Says Soviets Plan to Copy Hungary's Economic Ways

By James M. Markham
New York Times Service

BUDAPEST — Hungary's new leader says Mikhail S. Gorbachev has told him that the Soviet Union aims to emulate the small East European nation's highly innovative political and economic course.

In an interview, Karoly Grosz, the new Hungarian Communist Party chief, disclosed that Mr. Gorbachev, the Soviet leader, had informed him a few days ago in Moscow that "it is probably the Hungarian endeavors and the Hungarian perceptions that are the closest now to those of the Soviet Union."

Mr. Grosz, 57, supplanted Janos Kadar as general secretary of the Hungarian Communist Party at a watershed party conference in late May. Mr. Kadar had led the country since the Soviet Union crushed a popular uprising in 1956.

Mr. Grosz, a short, thin figure with an intense gaze, has a reputation as a no-nonsense pragmatist and something of a hard-liner. But in the interview in Budapest's ornate parliament building on the

banks of the Danube, he called for "radical reform in the economy and in politics" and explicitly endorsed two prominent innovators elevated to the Politburo in May.

The new Hungarian leader, who will meet with President Ronald Reagan in Washington on July 27, embraced Mr. Gorbachev's argument that political "democratization" is a precondition for economic dynamism. Mr. Grosz emphasized that democratization in Hungary would take place only "in the context of a one-party system."

"This is the same way that Gorbachev perceives the issue, as you will see if you read his speech to the party conference," Mr. Grosz insisted.

Even before coming to power in 1985, Mr. Gorbachev was known to have closely studied Hungary's system, which combines certain free-market mechanisms with a relatively tolerant attitude toward dissent. Lately, though, Hungary's experiment has seemed stalled, and the nation is burdened with a \$17.7 billion hard-currency debt.

Seated at a vast table flanked by an interpreter and a press aide, Mr. Grosz said he wanted "to change the nature of central guidance" and to have the Communist Party play less of a front-line role, ceding terrain to both governmental agencies and nongovernmental organizations.

"So what we need is a political structure that is being built from bottom to the top from the grassroots level and whose key words are voluntary activity, creativity and freedom of creation," he said.

Mr. Grosz specifically praised two innovative figures — Imre Pozsgay, an outspoken champion of greater political freedom, and Rezzo Nyers, one of the architects of Hungary's economic liberalization — who were given seats on the 11-member Politburo in May.

It has been suggested that the two were included in the Politburo to co-opt and muzzle them, but Mr. Grosz insisted that he appreciated "their ideas and their vision of the world."

Mr. Grosz, who is also Hunga-

ry's prime minister, named Mr. Pozsgay minister of state on June 29, and he said it was "possible" that the appointment could be a stepping-stone for Mr. Pozsgay to become prime minister himself.

The general secretary made clear that he intends to relinquish the prime minister's post.

He said "a certain amount of anarchy" had arisen in Hungary from the spawning of several independent political associations, notably the Democratic Union of Scientific and Academic Workers and a youth organization called the Federation of Young Democrats, or Fidesz.

In December, he said, the legislature would adopt a law on associations that "will say in what way one can do what is allowed."

"If they fit into this structure, we can have countless Fidesz's or any other organization," he added.

"Our general rule is that everything is possible unless it is prohibited."

But Mr. Grosz offset such reform. See GROSZ, Page 6



Karoly Grosz: "Everything is possible unless prohibited."

Rio Women and Colorful Squares by Miles Davis, the Painter



The artist Miles Davis at work; inset, a Davis drawing.

By Mike Zwerin
International Herald Tribune

NEW YORK — Ask Miles Davis how he began painting and you get an answer you'd expect from someone who has been called the "Prince of Silence." "I used to draw Mickey Mouse and that airplane of his, Dick Tracy, he was easy, all I had to do was draw his nose. And Flash Gordon. I could do him. I did a drawing of Gerry Mulligan, that was in the '40s, looked exactly like him."

Arnold Schoenberg began to paint after he had made his musical name, as did John Lennon, Charlie Parker, Joni Mitchell, Tony Bennett and now Miles Davis. Davis started serious — some say compulsive — sketching in 1979, about the same time he came off drugs, which may be no coincidence. An exhibition of 30 of his works — oils and pen-and-ink drawings — opened Sunday at the Moseley and Tscheshow Gallery in Munich and runs until Aug. 12.

It is not unusual for musicians to come to painting. This private and silent work can be a relief for someone who makes his living in an endeavor that requires collective effort, demands applause and bothers neighbors. It requires some degree of natural ability to begin with, but no training is necessary in order to receive immediate satisfaction. This rarely happens in the opposite direction — imagine a painter starting to practice the violin in his 50s. Of course, like any art, at some point you must decide on the degree of investment. Do you want to remain a dilettante for the rest of your life?

After looking at color photographs of more than 100 of his works — signed "Miles" — and

seeing the pile of canvases in various stages of completion spread over the floor of his Central Park South apartment, it is obvious that this is no mere "celebrity" painter. But there is also an electric piano in a corner, a synthesizer in another, a trumpet on an easy chair, cassettes piled against a wall and the latest Prince record playing on a professional sound reproduction

cause they have something you can't learn in a book.

"This is a classic enigmatic answer from a man whose legend has been built on an enigmatic image he goes to some length to encourage. We might assume that he considers himself to be one of those painters not in need of book learning. Then again, he might just be being enigmatic. In any case, his early sketches were of thin women with colorful flowing lines who, whatever stylistic faults an expert might find, were obviously drawn by somebody with a flair for rhythm."

"People tell me they have rhythm," he says. "They are moving, dancing, doing ballet steps. I make them with short thighs and long legs. I like that look, it's the Rio de Janeiro look. I hardly ever draw a man."

"You're known for the spaces in your music. Do you use the same principle in painting?"

"The guy who looks after my house in California, Mike, he calls me Chief. I say 'Mike, how do you like this?' He says, 'I liked it, Chief, just before you finished it.' So he thinks I spoiled it by making too much. I have to learn to stop. I know how to stop with music, but you have this problem of balance with paint and it's different."

There are abstractions with wide swatches of gold, copper and metallic colors. Colors take one canvas. Spare, almost skeletal shapes cavort on beige. There are occasional reminders of Arshile Gorky and Jackson Pollock. Series of colorful squares are filled with circles. When the paintings are not signed, it is not always evident which end is up. And those thick-

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'Just doing this, could I make a living? Maybe so. Fortunately, I have something to fall back on.'

Miles Davis on his painting.

setup. So it is not surprising that this man who has never been able to stick to one style of music ("I have to change, it's like a curse," he once said) and is now assuming visual forms was not sticking to the subject.

"You've been quoted as saying that musical training is important, to learn what rules to break," a visitor remarked. "Is the same thing true for painting?"

"The first piano music Art Tatum heard was two boogie-woogie piano players on a cylinder," Davis said. "He didn't know there were two of them. He thought that's the way a piano should sound and he learned how to play like two piano players at the same time. Some guys don't have to know anything about theory be-

Hong Kong Futures Market: Plans and Prospects for Revival

Douglas O. Ford recently left the *Winnipeg Commodities Exchange* after 10 years as its president to take the post of vice chairman and chief executive officer of the *Hong Kong Futures Exchange*. The futures exchange had major problems in the worldwide October stock market collapse, when the *Hong Kong Stock Exchange* was closed for four days. *Futures dealers* subsequently defaulted on contracts for the *Hang Seng index*, forcing the government to arrange emergency loans of 4 billion Hong Kong dollars (\$512 million at current rates) to bail out the futures market. *Colleen Garaghty*, who writes for the *IHT* from Hong Kong, talked to Mr. Ford about the prospects for a revival of the futures market in Hong Kong.

Q. A review committee headed by Ian Hay Davison, former chairman of Lloyd's of London, has recommended sweeping changes in the fiduciary and regulatory structure of the Hong Kong

Futures Exchange. Will the exchange comply?
A. There is a general acceptance by exchange members that the recommendations were sound and should be implemented. The reforms we are planning.

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along the lines of the Davison report, will help us regain the confidence of investors and institutional users.
We will be creating a different arrangement between the International Commodities Clearing House Hong Kong, the Hong Kong Futures Guarantee Corp., and the exchange, so that their various functions become the ultimate responsibility of the exchange, as the report recommended. We intend to make the clearing house a wholly or partly owned entity of the exchange, and hope that the International Commodity Clearing House in London and some of the banks within the present guarantee corporation here might still wish to be involved.

Q. The banks within the guarantee corporation helped to rescue the ex-

change after last October's market collapse by contributing 500 million Hong Kong dollars to a lifeboat facility, and this has yet to be repaid. Yet most of them have no trading interest in the exchange. It is difficult to see why they should want to become involved in a new guarantee corporation.
A. That is true, unless we introduce an interest-rate futures contract. Then there will be a direct need for the banks to be involved as members of the exchange, and in that case, they may wish to be involved as clearing members.

Q. How quickly can this new contract be launched?
A. I would like to see it happen within the next six months. Of course, we want to ensure that all the reforms are put in place first, and I think the Legislative Council also wants to see that happen. The contract proposal has gone through two or three revisions, and we now have an approved technical version waiting for the regulatory reforms to go through. It is an interest-rate futures contract based on the Hong Kong interbank three-month bill contract.

Q. To introduce the interest-rate futures contract and get the banks involved would seem crucial to restoring confidence in the exchange.
A. It is certainly a key move for us along with the implementation of the Davison reforms. We also want the international brokerage houses involved as members.

As the financial strength of the clearing house increases, I think investors outside Hong Kong will want to use the exchange. They will have confidence that when they execute a trade, they can come back the next day, and we will be there to do business.
In that context, banks can play another role. With the restructuring of the clearing house, we would set up a members' fund as the first tranche of deductible reserve to ensure the contract's integrity. The second tranche could be an insurance policy. If that is insufficient, we could use bank guarantees as the final security. But the first line of defense will be our monitoring and enforcement capability.

Q. Do you think the future of this exchange depends upon introducing new contracts to attract new investors rather than trying to restore the Hong Kong index contract to its former vitality?
A. I think both are important. We hope to make some changes to the Hong Kong contract that will improve the balance between long hedgers and short hedgers. Right now, we have a good volume of short hedging, or selling futures by those who have long positions on the securities side of the market, while not entirely missing, is certainly not as balanced. We could improve the balance by legalizing short selling of equities and by developing options on the futures contract.
Q. Does the exchange have a role to play in China's development?
A. Obviously, we want to move ahead and build on the strengths of Hong Kong as a financial center. Then we want to look at developing contracts to service China's needs. There will be financial contracts eventually, but initially, China might need contracts in agricultural commodities and industrial materials to provide proper pricing and hedging mechanisms for trading the raw materials they produce.

Corruption Flourishes Amid New Chinese Vitality

By Edward A. Gargan
New York Times Service
BEIJING — About a month ago, a doctor from the Office of Disease Inspection here visited the Huayuan Jellied Bean Curd Restaurant, wandered about and declared that the proprietor would have to pay a fine for unsanitary conditions.

"How much do you want to be fined?" the doctor asked, according to a report by the official Xinhua news agency. "It can be 200 yuan or 1,000 yuan, depending on your performance."

The restaurant's performance, it was clear, depended on its generosity toward the doctor.

Flourishing corruption has come hand in hand with China's new economic policies and vitality. As the country's leadership, notably Deng Xiaoping and the party secretary, Zhao Ziyang, push the economy away from socialist planning into free-market entrepreneurship, the opportunities for party and government officials to extort a share of the bounty multiply.

While it is clear that corruption predated the new prosperity, there is a growing feeling among many Chinese in the 48-million-member Communist Party as well as out, that bribery, theft, influence peddling, extortion, petty favoritism

and other forms of corruption have seeped into the marrow of the society so deeply that government, from the local to the national level, can no longer function without it.

Over the last month Chinese newspapers have railed against the spread of corruption, printing letters from readers with tales of encounters with venal officials and publishing lengthy editorials on the causes of the surge in moral and material graft and how to stop it.

Gonggen Ribao (*Workers' Daily*) recently described the case of Li Zujun, an army district director in Chongqing, who accepted 3,500 yuan (\$950) in bribes from 11 young men before agreeing to certify them for admission to the army.

Zhongguo Qingnian Bao (*China Youth News*), in an article several days ago, reported how a tax collector in the northeastern city of Shenyang forced shopkeepers to sell him food supplies at sharp discounts.

People's Daily described how a local party secretary, Gao Yechong, extorted an automobile, a television and a house from a chemical factory in Luoyang.

"But," the paper continued, "we should limit it as far as possible and no leniency should be allowed in dealing with corruption cases. Otherwise it will not only harm the reform but will also lead to domestic disturbances."

Results of an opinion poll conducted by a department of the Chinese Academy of Social Sciences found that 83.7 percent of urban residents listed the corrupt behavior of government officials as what they resented most. City dwellers were nearly as upset with what they saw as the tendency of retailers to keep raising prices unfairly.

In Shanghai, *People's Daily* reported, fully two-thirds of the corruption and bribery cases brought to court involved "leading officials of government institutions."

Officials at national and local levels have begun to respond to the problem, but among many Chinese these efforts have been greeted with considerable skepticism.

The central government has drafted a series of regulations calling for stricter punishment of corrupt officials, including those working abroad. Late last year, the Ministry of Supervision, a sort of central government watchdog agency, was established to monitor the behavior of government officials, examine contracts with foreign companies for signs of kick-

backs and payoffs, and ensure that regulations are carried out diligently and without favoritism.

Since its creation the ministry has reported uncovering more than 1,000 cases of dubious actions in contracts between Chinese and foreign companies.

A major aspect of corruption in public life is influence peddling, known as *guanxi*, or connections. In its simplest form, it involves little more than calling on a friend, for example, to provide a coupon that permits the purchase of a better bicycle. At a more serious level, it means using one's family connections to secure a better job, better housing, foreign travel.

In Hong Kong, which is due to revert to Chinese control in 1997, Chinese-run companies have sprung up, many of which are run by the children of high-level state and party leaders.

At a more mundane level, a taxi driver in Beijing used acquaintances in the Public Security Bureau and other state agencies to get a passport and exit visa to study English in Canada.

Many Chinese speak openly about what they believe is the impossibility of stemming the tide of corruption. "That's how things get done," a young man said. "And nobody cares about anything about corrupt officials. They're the law."

Shultz Says Policy Fails On Refugees

By Elaine Sciolino
New York Times Service

JAKARTA — In a frank admission that the decade-long strategy for dealing with Indochinese refugees no longer works, Secretary of State George P. Shultz has declared that returning refugees voluntarily to Vietnam must be examined as an alternative to resettling all of them in the United States and elsewhere in the West.

"It is feared that the policies themselves are creating a possible problem," Mr. Shultz said Saturday, adding that resettlement countries like the United States and Asian countries offering refugees temporary asylum are "uneasy about continuing the policy."

Speaking to reporters on a plane ride from Malaysia to Indonesia, Mr. Shultz said the present policy encourages the illegal exodus of economic migrants posing as political refugees and undermines the system set up by the United States to process and accept political refugees in an orderly and legal way.

In Athens, Heat Wave Is an Ordeal in Survival

By Jim Hoagland
Washington Post Service

ATHENS — It is survivors' talk, a kind of laconic and indirect self-congratulation exchanged by people who have come through a battle without harm. We are still here, the words and gestures all say, and that is a good thing.

This is the way that Athenians who have stayed in the Greek capital in the brutal heat wave of the past week tend to talk to each other now as evening advances. Those brave, foolish or immobile enough not to have fled the sulphurous air and temperatures at or above 38 degrees centigrade (100 degrees Fahrenheit) have a sudden common bond, whatever their station in life.

"They say it will break tomorrow," a perspiration-soaked waiter advises a prosperous-looking customer as he uncorks a bottle of retsina. "But they are lying, to keep from scaring the tourists. I heard that three old persons died from the heat."

The weeklong heat wave in the Eastern Mediterranean has led to scores of reported deaths in Greece, Yugoslavia and Turkey and has hospitalized hundreds more.

Athens appears to be hardest hit. An atmospheric inversion

traps polluted air over the baking city and multiplies the hot-house effect.

Central air conditioning in homes and shops, and air conditioned automobiles are a relative rarity in a city that once could rely on sea breezes to moderate the heat. Athens has become as sultry and unpleasant as Baghdad or Cairo, desert cities that have over the centuries learned how to abandon the day to the heat and work and live by night.

Some motorists ride through the heat here with their windows rolled up at midday, preferring to steam than to be singed. Air flowing through an open car window feels like jet engine exhaust.

At the normally staid Foreign Ministry, a secretary in a T-shirt and shorts greeted with a pitying glance a visitor who unwisely donned a jacket and tie for a noon meeting with a senior official. Other government offices and businesses were emptying rapidly as the day's survival test reached its high point.

Death Toll Put at 56

Officials say the Greek death toll in the heat wave has reached at least 56. The Associated Press reported from Athens.



An ambulance driver cooling off in Athens.

Armenians Vow Strike Will Go On

Compiled by Our Staff From Dispatches

MOSCOW — A crowd of 300,000 to 400,000 people gathered Sunday in Yerevan, capital of Soviet Armenia, and voted to continue a weeklong protest strike in the city, according to Yerevan sources.

An Armenian nationalist, Movses Gordissian, contacted by telephone, said that the rally took place less than a kilometer (half a mile) from Opera Square, the site of earlier protests, which has been blocked off.

Hundreds of policemen were called in on Saturday to replace security troops deployed to prevent such rallies. But the troops were still paroling streets as darkness fell, Mr. Gordissian said.

The demonstrations, which started in February, are in support of Armenian demands for the Nagorno-Karabakh Autonomous Region, an enclave in Azerbaijan.

Mr. Gordissian said that Yerevan was decked with black flags as people mourned the deaths of two men Tuesday during clashes with security troops at Yerevan airport. One was shot and the other died of a heart attack.

In Moscow, 150 Armenians held a two-hour protest after the police refused them access to the Supreme Court. The demonstrators wanted to deliver a request that trials in Azerbaijan in the killing 32 people in an anti-Armenian pogrom be transferred to the Supreme Court.

Moscow, in a report on another ethnic area, the press agency Tass said that Lithuanian delegates to the Communist Party's recent reform conference had told 100,000 countrymen that demands for more autonomy from Moscow had received a warm response.

Tass said that the rally had been organized by a group called the Lithuanian Movement for Perestroika. Perestroika is the Russian word for restructuring, the economic, cultural and political program being pressed by Mikhail S. Gorbachev, the Soviet leader.

The delegates told the rally Saturday in Vilnius that Lithuanian proposals for "development of independence" expansion of the rights of the 15 Soviet republics, war use of national languages and measures to protect the environment were adopted at the Kremlin session, according to Tass.

The press agency said that members of the Perestroika movement — writers, scientists and cultural figures — spoke in favor of Mr. Gorbachev's push for openness and democratization.

Similar pro-perestroika groups have been formed in Latvia and Estonia, neighboring Baltic republics. All three were incorporated into the Soviet Union in 1940. The groups want the republics to gain financial control over industries, now held by Moscow.

For the Record

Pope John Paul II appointed an eight-member commission Saturday to seek ways to persuade followers of the excommunicated traditionalist leader Archbishop Marcel Lefebvre to remain loyal to the Roman Catholic Church. The pope said the commission would seek to preserve traditions such as the Tridentine Mass in Latin.

Margaret Thatcher will answer questions from people in the Soviet Union in a live British Broadcasting Corp. radio program Monday night. Questions phoned in to the prime minister will be translated in London, and the 55-minute program will be broadcast live on the BBC's Russian Service, the BBC said.

Riot policemen fought about 50 "skinheads" during a festival in Hofheim, West Germany, after the group smashed a Turkish street vendor's booth and attacked the police with debris and bottles, the authorities said Sunday. They said 40 youths were arrested. One policeman and two youths were hurt, the police said.

Earlier, in Kuala Lumpur, Mr. Shultz expressed enthusiasm for an ASEAN proposal to convene a United Nations-sponsored international conference on refugees.

Since the end of the Vietnam War in 1975, 1.5 million Indochinese refugees have been resettled, 821,000 of them in the United States. Canada has resettled 116,000, Australia 114,000, France 103,000 and Japan, which makes large financial contributions to refugee resettlement, only 2,714.

American resettlement of Vietnamese refugees is slowly but steadily declining. In 1986, the United States accepted 36,000, compared with 32,000 in 1987 and 29,500 is projected this year.

Mr. Shultz, who left Bangkok on Saturday morning, met in Kuala Lumpur with Malaysia's prime minister, Mahathir bin Mohamad.

Mr. Shultz said afterward that he expressed the administration's concern for Malaysia's human rights violations, particularly Mr. Mahathir's order for the arrest and detention without trial last fall of 106 government and opposition politicians, church workers and others. About 30 of those detained still have not been released.

Mr. Shultz said the prime minister assured him that "those remaining under detention would be accorded full constitutional and statutory rights" in time and that it would be proven that they have been "dealt with properly." Mr. Shultz said that he was satisfied with the assurances.

The most highly publicized confrontation involved Dr. Leon Schwarzenberg, the health minister. Without consulting other members of the cabinet, Mr. Schwarzenberg proposed giving AIDS tests to pregnant women and to people scheduled for surgery.

Also on his own, he called on the government to distribute drugs to addicts as part of a treatment program, saying that banning drugs has not done enough to reduce addiction and has helped foster crime by addicts.

As a result of Mr. Schwarzenberg's remarks, Mr. Rocard's young government faced a storm of controversy. Aides and civil liberties groups protested what they

WORLD BRIEFS

Experts Try Again on North Sea Fire

ABERDEEN, Scotland (Reuters) — Oil field disaster specialists tried Sunday, for the second time, to cap leaking wells aboard the North Sea platform Piper Alpha, despite strong winds, rolling seas and flames. An explosion last week killed 166 men around the platform.
A representative of Occidental Petroleum Corp. said that two members of a team led by the international oil-fire expert Rod Adair went to the platform, which was tilting at 45 degrees. They had to pull back when a burning well flared up. The heavy seas made it difficult for Mr. Adair, supervising from a support vessel, to see his men, who were attached to a rope on the platform.
The cause of the explosion is still not known, but Occidental officials believe it was started by a gas leak.

Serbian Nationalists Hold a Protest

NOVI SAD, Yugoslavia (Reuters) — Thousands of Serbs shouting "Down with cowards and traitors!" protested Saturday in Vojvodina, an autonomous province in northeastern Serbia, accusing local leaders of separatism.
The crowd, led by a core of 900 Serbs from Kosovo, the southwestern province where there has been strife between Serbs and Albanians, marched through the city waving banners and shouting angrily at policemen who tried to block the way.
The protest highlighted a conflict between Communist Party leaders in Vojvodina and of the Serbian Republic over regional autonomy. Local authorities disconnected the city's electricity supply to prevent the protesters from broadcasting speeches over a loudspeaker system.

Taiwan Leader Calls for Resignations

TAIPEI (AP) — President Lee Teng-hui proposed Sunday that half the Central Committee of the governing Nationalist Party, or Kuomintang, resign to make room for younger members and more native Taiwanese.
On the fourth day of the 13th party congress, Mr. Lee submitted the names of 180 candidates for the committee. Chiang Wego, the powerful head of the National Security Council and son of the late Chiang Kai-shek, was not included on the list. The president's refusal to nominate Chiang Wego seemed designed to end the rule of the family that led the Nationalists for six decades.
Most of Mr. Lee's nominees are expected to be elected Tuesday to the 180-member Central Committee, which makes policy proposals and assesses party performance.

Menem, in Upset, Gets Peronist Vote

BUENOS AIRES (WP) — Carlos Saul Menem, a charismatic populist who closely follows the style of the late President Juan Peron, won the Peronist movement's first presidential primary Saturday in an upset.
Mr. Menem, 53, governor of the province of La Rioja, obtained about 53 percent of the vote in the primary of the Justicialist Party, the Peronist movement is formally known. He defeated Antonio Cafiero, governor of Buenos Aires Province and head of the party apparatus, about 1.7 million of more than 4 million party members cast ballots, according to election officials.
Polls show that the party is poised to win the presidency next year and wrest power from the Radical Civic Union of President Raul Alfonsin. Foreign creditors worried that Mr. Menem would be more likely than Mr. Cafiero to take seriously the Peronist promise to suspend payments on Argentina's \$54 billion external debt.

Chad and Libya Pledge Further Talks

LIBREVILLE, Gabon (Reuters) — Chad and Libya, at war for more than a decade over a stretch of the Sahara Desert, have pledged to continue negotiations to resolve the dispute. But they did not announce a resumption of diplomatic ties or a meeting of their leaders, as had been expected, nor did they set a date or place for another meeting.
A joint communiqué Saturday at the end of three days of talks said the two "reaffirm their determination to make all necessary efforts to solve all the issues in a spirit of brotherhood" and "agree to pursue their talks." The statement did not mention Chad's accusation that Libyan warplanes flew over its territory Thursday night.
Foreign Minister Martin Bongo of Gabon was chairman of the talks in Libreville between Foreign Ministers Gouara Lassou of Chad and Jadallah Azouz al-Tali of Libya. Gabon leads a committee of the Organization of African Unity that is charged with mediating the dispute.

U.S. Assists Effort to Recover Illicit Material

By Robert Pear
New York Times Service
WASHINGTON — The United States is assisting an effort to recover illicit material from the former Soviet Union, according to a report by the State Department.

The report says that the United States is providing technical assistance to help the former Soviet Union recover illicit material, including nuclear weapons components and other sensitive technology.

TRAVEL UPDATE

Bartenders in Dublin have decided not to strike over the abolition of mid-afternoon closing. After winning pay concessions, the bartenders voted Saturday to remain working despite the longer drinking hours which the government initiated because the break was deemed archaic and confusing to tourists.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:
MONDAY: Bahamas, Monaco, Mongolia.
TUESDAY: Monaco.
WEDNESDAY: Yugoslavia.
THURSDAY: France, Iraq, North Yemen.
FRIDAY: Brunei.
SATURDAY: Bolivia.
SUNDAY: Iraq, Israel, Nicaragua, South Korea.
Source: Morgan Guaranty Trust Co., Reuters.

The flavour of an island in a single malt.

Isle of Jura
SINGLE MALT SCOTCH WHISKY

Official Off Airbus Inquiry

PARIS — A French court has withdrawn an inquiry into the recent crash of a new Airbus from a senior magistrate who raised questions about the role of civil aviation authorities in the investigation, judicial sources said Sunday.
A court in the eastern city of Mulhouse removed the investigating magistrate, Germain Sengenin, on Saturday from the inquiry into the June 26 crash, the sources said. Mr. Sengenin had said the Trans-

Rocard Opening to Centrists Falter As Disputes Flare With 2 Ministers

By Steven Greenhouse
New York Times Service

PARIS — Prime Minister Michel Rocard's efforts to open up his Socialist government to the political center faltered last week because of two highly embarrassing clashes with new cabinet ministers.

The two ministers were both respected non-Socialists whom he had named to help show the willingness of his minority government to work with the center.

The most highly publicized confrontation involved Dr. Leon Schwarzenberg, the health minister. Without consulting other members of the cabinet, Mr. Schwarzenberg proposed giving AIDS tests to pregnant women and to people scheduled for surgery.

Also on his own, he called on the government to distribute drugs to addicts as part of a treatment program, saying that banning drugs has not done enough to reduce addiction and has helped foster crime by addicts.

As a result of Mr. Schwarzenberg's remarks, Mr. Rocard's young government faced a storm of controversy. Aides and civil liberties groups protested what they

As Disputes Flare With 2 Ministers

thought was a call for mandatory tests on acquired immune deficiency syndrome while conservatives attacked his call for a partial legalization of drugs.

On Thursday, Mr. Rocard demanded — and received — the resignation of Mr. Schwarzenberg, France's most famous cancer doctor, just nine days after he was named to the cabinet. This made his tenure as a minister the shortest in the history of the Fifth Republic.

Mr. Rocard asked for the minister's resignation for having ignored guidelines requiring ministers to consult with the government before making provocative proposals.

"I am sad and bitter," Mr. Schwarzenberg said after his resignation. "I evidently don't understand the subtleties of public life."

In a letter to the prime minister, he added, "My profession and my functions not only authorize me but oblige me to make without hesitation several proposals that I believed essential. I think, but it seems that I may have been mistaken, that in this domain it was im-

INTERNATIONAL POSITIONS
You will find below a listing of job positions published last Thursday under the rubric *International Positions*.

TITLE	SALARY	EMPLOYER
ECONOMISTS	Good	Bank for International Settlements.
EUROPEAN MIS MANAGER		The Walt Disney Company.
EDITOR	Attractive	McKinsey & Company, Inc.
PROJECT DIRECTOR		Reputed group of companies.
MATERIALS MANAGER		Multinational industrial company.

If you haven't seen last week's *INTERNATIONAL POSITIONS* rubric, please ask for a free copy: Max Ferrero, INTERNATIONAL HERALD TRIBUNE, 92521 Cedex, France. Tel: (1) 46.37.93.81, Telex: 613595

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AMERICAN TOPICS

Presser Dies, Led Steamers

By Carlos Sanchez

WASHINGTON — Jack P. Presser, a former U.S. ambassador to the United Kingdom, died Sunday of a heart attack and was buried Monday at a hospital.

Mr. Presser, 68, was a member of the U.S. State Department's Foreign Service since 1954. He served as ambassador to the United Kingdom from 1977 to 1981. He was also ambassador to the Netherlands and to the United States.

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BRIEFS

Oil field disaster... 2 Natural Gas Buses Being Tested in N.Y.

Thousands of Serbs... Calls for Resignations

Carlos San Menem... U.S. Assists Emigrés in Smuggling

Chad and Libya... Pledge Further Talks

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AMERICAN TOPICS

2 Natural Gas Buses Being Tested in N.Y.

New York City is experimenting with two buses that run on natural gas, causing less pollution. The New York Times reports, Brooklyn Union Gas Co. said the buses were the first of their kind in the United States and, if widely copied, would pollute the air less and use an economical fuel in plentiful domestic supply.

The buses will run for three years over express routes in outlying boroughs. In a competing test that started in April, six buses built by General Motors Corp. and powered by methanol are plying New York's streets. Both types of buses will be evaluated by the city for pollution, maintenance expense and crucial details such as how reliably they run in hot and cold weather and on potholed streets.

Short Takes

When Lynn Korwacz served as relief captain of the container ship Maui on a two-week round trip from Oakland, California, to Honolulu last month, she became the first woman captain of a large U.S. commercial freighter, according to the U.S. Merchant Marine Academy, the U.S. Maritime Administration and Maritime Navigation Co., owners of the Maui. It has a crew of 35, including three women. Mrs. Korwacz, 35, a graduate of the California Maritime Academy, has 12 years' sea duty behind her. Her husband, Lawrence, is a seagoing chief engineer for Matson. Her usual full-time job is as chief mate, or second-in-command. As for being a skipper, she said, "There is a lot of money riding on you. They don't want anybody who is going to sink it."



TRAVELIN' MAN — Rod Conklin, 35, of Darien, Connecticut, with a map showing the route he daily drives to work to his office in Boston. The 204-mile journey — each way — qualifies him as a U.S. commuter with the longest daily trip, according to an automotive electronics company.

Small towns in the American heartland, having lost population, jobs and schools to the farm crisis, are offering incentives not only to new businesses but to people who will come to live. Rolfe, Iowa, whose population of 700 is less than it was in 1980, will provide \$1,200, a free residential lot and one-year membership in the swimming pool and golf club to anyone who will build and live in a house valued at \$30,000 or more. Oakley, Minnesota, offers \$5,000 toward the cost of a lot and house for anyone willing to build and stay five years.

Plastic skeletons, hearts and other anatomical models are sold or rented by Stephen Appelbaum's Evidence Store in Union, New Jersey, mostly to lawyers trying personal injury or malpractice cases. The models range in price from \$625 for a full skeleton to \$85 for the most popular item, a herniated spinal disk. Anything can be rented, at a daily cost of 10 percent of the purchase price. "Lawyers are trained to be

orators, not visual communicators," Mr. Appelbaum said. "We're trying to teach them to use the courtroom like a classroom."

Beginning public school teachers now average \$18,000 a year in salary, and average pay for the entire profession is \$28,085, according to the American Federation of Teachers. Teachers earned an average of 17 percent more than the average of all workers in 1987 and 10 percent more than all government workers. "The public is really supporting teachers," a federation spokesman said. "It's the seventh straight year salaries have exceeded inflation."

A bill requiring that obscene words on bumper stickers be no more than one-eighth of an inch (3 millimeters) high has been passed by the Louisiana legislature. Governor Buddy Roemer said he probably would sign the measure into law despite promises of a court fight over its constitutionality. "This is an indecency bill," said Representative

Howard H. Baker Jr., who gave up his own fledgling presidential campaign to become White House chief of staff, has quit that job to return to private life. But he admitted on leaving, "I'd love to be president. I wouldn't be a politician if I didn't aspire to that, and I sure am a politician."

Notes About People

Ronald Reagan's post-presidency office will be on the 34th floor of the new Fox Plaza Tower in Century City in Los Angeles. The Ronald Reagan Presidential Foundation has announced. The office, on the former site of the 20th Century-Fox film studios, is about five miles (eight kilometers) from the Bel Air mansion Mr. and Mrs. Reagan are expected to move into when they leave the White House.

Stephen Hart, a spokesman for Mr. Bush, said Mr. Bush denied that he was ever involved with the CIA before President Gerald R. Ford named him director in 1975. Asked if another George Bush might have worked for the CIA, Mr. Hart said, "I don't want to speculate."

Accusations Denied by 2 UN Agencies

OSLO — The directors of the two biggest international development agencies have rejected accusations that they imposed unjustifiably harsh economic policies on developing countries, causing human suffering and environmental damage. Michel Camdessus, managing director of the International Monetary Fund, said at a closed meeting of heads of UN development agencies here Saturday that he felt no need to justify his organization's record of helping Third World countries overcome economic difficulties, according to participants at the conference.

Barber B. Conable, president of the World Bank, said alleviating poverty and protecting the environment were the overriding concerns of his agency. The heads of the IMF and the World Bank, which are both specialized agencies of the United Nations, were speaking a day after Secretary General Javier Pérez de Cuéllar accused them of treating developing countries unsympathetically.

"They are like doctors who have the same prescription for all ills," Mr. Pérez de Cuéllar said. "We need a human touch, not just a theoretical touch."

The IMF and the World Bank were accused last year of treating Third World countries harshly and of damaging their natural environments. The charges were made by an independent panel headed by Prime Minister Gro Harlem Brundtland of Norway. In particular, that panel said the IMF, the World Bank and Western governments should do more to safeguard the environment of the Third World by lightening its debt burden.

Firefighters Brace for Worst U.S. Season Ever

LOS ANGELES — Firefighters and forestry officials, confronting the widespread drought that has crippled farms around the nation, are bracing for what they say could become the worst summer of forest fires on record. Much of the West is already in "extreme danger" of wildfires, the highest of five risk designations made by the United States Forest Service. Robert M. Swinford, the agency's national fire prevention officer, said that most of the East has been designated "high danger," the middle ranking.

These designations are not unusual, he said, but they usually come a month to six weeks later in the season. Last year, 2.18 million acres of federal and state land were reported burned, the worst fire season since 1919.

This year's dry conditions are even more extreme. Fire officials are concentrating on coordinating efforts between fire agencies, timber companies and volunteers. State and local fire agencies in the West have stepped up public information campaigns and weed-abatement programs, and are hiring seasonal firefighters early. Widespread bans on outdoor smoking have been imposed.

In California alone, smoking and fire restrictions have been posted on thousands of acres of state parklands. "California is literally ready to explode," said Jerry Partain, director of the California Department of Forestry. Last year, in California's record fire season, 11,428 wildfires killed 11 people, destroyed 114 houses and ravaged more than 800,000 acres.

So far this year, a total of 804,196 acres of forest and brush have been reported burned around the nation. At this time last year, there were 1 million acres burned, but those fires were in concentrated areas. This year they have been far-flung. "Normally, the dry season strikes various parts of the country at different times, and we're able to shift our firefighting forces," Mr. Swinford said. "But this year there's high potential of fire everywhere."

The hundreds of fires that have already burned thousands of acres in California, South Dakota, the Rocky Mountain states and elsewhere this year are just a prelude, the officials said. Early spring rains temporarily forestalled blazes, but, paradoxically, led to higher risks for the summer.

U.S. A-Plant Incident Probed Danger Feared at Whole Class of Power Installations

By Matthew L. Wald New York Times Service NEW YORK — A huge oscillation in the speed of a nuclear reactor at an atomic power plant in Illinois has prompted an inquiry into whether a whole class of nuclear plants is vulnerable to a dangerous condition that engineers had predicted was impossible to occur. The incident, which occurred March 9 at Commonwealth Edison's LaSalle-2 reactor, in Seneca, 50 miles (80 kilometers) northwest of Chicago, did not damage the plant or cause the release of radiation, although there was an automatic shutdown.

But the staff of the Nuclear Regulatory Commission said the incident was "an important precursor event," meaning that in a future incident such developments could be the early stages of a major nuclear accident. The fear is that a runaway reaction could cause a plant to overheat, with its fuel melting and releasing radiation.

Commission engineers say that in the incident, the flow of neutrons, the subatomic particles that maintain the nuclear reaction, went through wild shifts every two to three seconds, rising in parts of the core to as much as 300 percent of the normal maximum of neutron flow and then collapsing again.

For the reactor as a whole, instruments measured the peak at 118 percent of the normal maximum, the level that triggers an automatic shutdown. But the actual peak was much higher, engineers said, explaining that the instruments take only average readings.

According to a report issued last month by the commission staff, the incident casts doubt on whether the power plant, licensed by the commission four years ago, ever met its requirements for stability, even though it is described by its owner to be one of the most stable plants of its type.

In addition, the staff said the incident might show that two safety issues that the commission thought it had put to rest years ago might actually not have been solved. The two safety issues are common to three dozen plants. Commonwealth Edison minimized the safety significance of the incident. Thomas J. Rausch, an engineering supervisor at the plant, said that while neutron levels did jump up and down, total heat pro-

duction remained constant because the temperature reflected the average neutron level. Thus, the reactor was not near overheating, he said. But a leading safety watchdog group, the Union of Concerned Scientists, said the incident had come close to damaging some of the nuclear fuel and bore grave implications for other plants.

"All these calculations, since Day 1, are wrong," said Robert Pollard, a safety analyst with the Union of Concerned Scientists. He is a former inspector with the nuclear commission.

"If these things had happened and there were a plant applying for a license, it wouldn't get a license until this were resolved," Mr. Pollard said. "What is the legal basis for leaving this in operation?"

On June 15, the commission staff gave the owners of 36 reactors manufactured by the General Electric Company 60 days to analyze the vulnerability of their plants to the kind of instability that occurred at the LaSalle plant. A committee of utilities that operate the reactors, headed by Mr. Rausch, is working on a response.

At the LaSalle plant, the incident began when a worker accidentally caused the shutdown of two pumps that circulate the water in the core, an equipment failure that has occurred elsewhere without complications. At LaSalle, however, one result was to trigger a condition in which the core alternated rapidly between being extremely conducive to the nuclear reaction and hostile to it.

Advertisement for Bombay gin: THERE'S ONLY ONE GIN FOR THE WELL-INFORMED. Includes an image of a Bombay gin bottle.

U.S. Assists Emigrés in Smuggling Illicit Materials to Polish Dissidents

By Robert Pear New York Times Service WASHINGTON — The U.S. government has joined Polish emigrés in a major effort to help Solidarity and the Polish underground smuggle publications, printing machinery, radio equipment and video cassettes into Poland.

The publications include thousands of books and journals highly critical of the Communist system and the Polish leader, General Wojciech Jaruzelski. In addition, over the last three years, the United States has provided more than \$5 million in cash assistance to the banned labor union Solidarity and other groups opposed to the Warsaw government.

Poland has a huge underground publication network, much of it supported by the United States, though U.S. officials say the demand for such publications in Poland far exceeds the supply. Some of the money is openly provided by Congress. Some is passed on through the National Endowment for Democracy, a private nonprofit corporation that receives almost all its funds from the federal government and seeks to encourage democratic institutions around the world. The endowment consults with the State Department on all grants.

Some of the support is channeled surreptitiously through Polish emigré groups in Paris, Brussels and Lund, in Sweden, where Jozef Lebaun's Independent Polish Agency has organized dozens of shipments by truck into Poland. The fact of U.S. support for Solidarity has been known, in general terms, for a few years. But a full picture of this role emerged in recent weeks from an examination of government documents and interviews with U.S. officials and Polish emigrés.

The Polish authorities are aware of the activity, but have been unable to stop it. They have intercepted a few trucks carrying books, printing presses, cameras and smoke grenades to the underground. They occasionally arrest people who print or distribute forbidden literature and confiscate their equipment. But U.S. officials say 500 to 600 periodicals are still being printed underground.

Lieutenant Colonel Wieslaw Gornicki, a political adviser to General Jaruzelski, alleged in May that Lech Walesa, founder of Solidarity, was being paid \$1 million a year by the U.S. government. He made the comment in a television interview when he was asked if Poland would legalize the independent union, as demanded by Gdansk ship workers.

Congress appropriated \$1 million for Solidarity in July last year and another \$1 million in December. The public nature of the grants was unusual; in the past, much of the U.S. support for opposition groups in Communist countries was sent secretly by the CIA.

But Solidarity supporters said the assistance was, in some ways, more effective if it was given openly because they were less vulnerable to charges of being tools of Western intelligence services. Mr. Lebaun, the international coordinator for the Conference of Solidarity Support Organizations, uses a network of couriers and drivers to carry books, printing presses, ink, video equipment, photographic equipment, microfiches, radios and electronic equipment to opposition groups in Poland.

In an interview in Washington this week, he said he had sent 32 shipments weighing a total of nearly 10,000 pounds (4,500 kilograms) in the last year. His agency received grants of \$42,000 this year and an equal amount last year from the National Endowment for Democracy. Peter J. Mroczek, president of the Solidarity Endowment, which tries to cultivate support for Solidarity in the United States, said his group had arranged for the purchase of more than 20 offset printing presses and for their delivery to independent publishers in Poland.

In addition, he said, the group had provided broadcasting equipment to Radio Solidarity, the clandestine stations run by Solidarity members throughout Poland. Mr. Lebaun said his organization had also sent in electronic equipment that Solidarity members used to scan police radio frequencies and to communicate among themselves when they were surrounded by the police.

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Advertisement for USADIRECT: Your Express Call to the States. Includes phone numbers for various countries like Australia, Belgium, etc.

J. Presser Dies, Led Teamsters

By Carlos Sanchez Washington Post Service WASHINGTON — Jackie Presser, 61, the leader of the International Brotherhood of Teamsters who tried to steer the union back into the mainstream of organized labor, died of a heart ailment and brain cancer Saturday at a hospital in Lakewood, Ohio.



Jackie Presser

He was head of the nation's largest and richest labor organization. It is also widely regarded as the most corrupt union. Mr. Presser, who once referred to the leadership of the 1.7 million-strong Teamsters as the "electric chair" and "death seat," was facing federal charges of fraud and racketeering stemming from the use of "ghost employees" in his union local in Cleveland.

In addition, on June 28, the same day Mr. Presser entered the hospital for treatment of a blood clot on the lung, the Justice Department filed a major suit in U.S. District Court in New York accusing the union of racketeering. The Justice Department asked that the Teamsters be placed under a federal trusteeship until new elections could be held to break the union from the grip of organized crime.

Named as defendants in the lawsuit were the union's entire executive board and 26 alleged Mafia members or associates, including the heads of six mob families. In response to various charges, Mr. Presser had said he had been

Soviets Link Cheating Rules To Progress in Arms Talks

By Robert Pear New York Times Service GENEVA — A Soviet arms control official on Sunday linked progress in halving the superpowers' long-range nuclear arsenals to rigid rules against cheating — including the right to inspect any naval ship for missiles.

Alexei A. Obukhov, head of the Soviet arms control delegation, also said a successful strategic arms treaty depended on strict observance of the 1972 Anti-Ballistic Missile Treaty. He was speaking on arrival at Geneva's Cointrin airport before resuming a new round of nuclear and space arms control talks with the United States on Tuesday.

President Ronald Reagan and the Soviet leader, Mikhail S. Gorbachev, agreed at the Moscow summit meeting last month that negotiators would resume drafting a strategic arms reduction talks, or START, treaty to halve their intercontinental nuclear weapons on July 12.

The proposed START treaty would reduce each superpower's stockpile of long-range weapons to 6,000 warheads fixed to land- and submarine-based missiles and heavy bombers. "The Soviet side," Mr. Obukhov said, "favors the strictest possible verification, also as regards long-range sea-launched cruise missiles, up to inspection of any naval ship. We shall try to persuade the United States to accept also this form of verification."

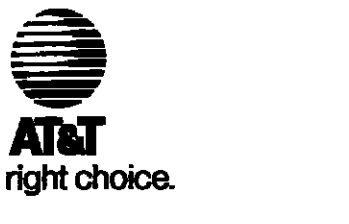
Mr. Obukhov said he hoped to meet with Max M. Kampelman, the chief U.S. negotiator, on Monday. Mr. Kampelman arrived in Geneva on Saturday. Mr. Kampelman said in Washington on June 20 it was unacceptable to have U.S. inspectors on Soviet naval vessels and Soviet officers on U.S. ships to check for missiles. He added that some technical means of verification would have to be found.

Centrists Fallen with 2 Ministers

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INTERNATIONAL Herald Tribune

An Era Ends in Mexico

A race far closer than even the opposition expected has left real doubt over who the next Mexican president will be. That in itself is a political earthquake in a country where the ruling Institutional Revolutionary Party, or PRI, has captured every presidential, senatorial and gubernatorial election since its formation in 1929.

widely recognized as a convinced and capable exponent of the free market. The PRI also has itself to blame. Its displays of dictatorial arrogance, corruption and electoral fraud fed popular discontent and would have hurt Mr. Salinas even had he not been burdened with the decline in growth and living standards.

Seoul Is Making Sense

The Korean peninsula, divided into bitterly hostile states since World War II, is the last place you would expect to see affected by the changes swirling elsewhere in Asia.

and is ready to tackle the remaining open item on the national agenda: reunification. South Korea, as it becomes more democratic, necessarily pays more attention to popular ideas than it did while authoritarianism was the prevailing style.

A New Deal for Angola?

Is the bell finally tolling for the long dirty war in Angola? Can it be that South Africa will pull its troops out of Angola and end its illegal rule in Namibia? Will Cuba withdraw 50,000 troops from Angola, and will Pretoria stop arming the rebel forces of Jonas Savimbi?

In short, there is enough happening to justify Mr. Crocker's labors. The catch, as before, is Namibia, the resource-rich territory between Angola and South Africa.

Other Comment

A European Hope for Ireland

There is a sense in which the EC summit and decisions taken or promised at Haanover roll inexorably toward a conclusion which will make the Border irrelevant. As barriers to international trade and commerce fall throughout Western Europe and tax rates are harmonized, as investment and labor, heedless of old boundaries, move into new

territories, such economic arguments and administrative props as have been used to shore up division will disappear. It may not happen immediately on the achievement of a single market; it is bound to be accompanied by social and economic trauma.

The United Nations Is There to Be Used

By Brian Urquhart

The writer was undersecretary-general of the United Nations from 1974 until his retirement in 1986.

NEW YORK — At the time the U.S. Navy became involved in the Gulf, circumstances tended to dictate a unilateral approach. Washington's obsession with Moscow's intentions, the Kuwaiti request for protection of shipping addressed to both the superpowers and the repercussions of the Iran-contra affair, as well as a knee-jerk perception of the United Nations as incapable of effective conflict management or anything else, all pointed to unilateral intervention.

It is time to consider again the old practice of avoiding direct great power involvement in regional conflicts.

Vietnam, the Soviet Union in Afghanistan, for example — the involvement has tended to become an embarrassment, and sometimes a tragedy. The experience of the multinational force in Beirut, and the repercussions of that involvement, illustrate vividly the hazards of such a course.

ests both of the United States and of the world community better? Undertaken in the context of the general desire to end the war, would such an effort have been more effective and less prone to disastrous accidents?

United Nations peacekeeping operations, although militarily far less spectacular than some unilateral interventions, have the advantage of broad international support and participation, as well as of being debarred from becoming a combatant in the conflict. It is thus usually easier for the parties in conflict to react peacefully to, and to cooperate with, a United Nations peacekeeping operation.

The main common objective is an end to the war, which is the only basis for a real solution to the problems of the Gulf. No loss of face or national prestige is involved in taking a new look at the current situation and adjusting national policy accordingly.

A Defense Agenda for America's Next President

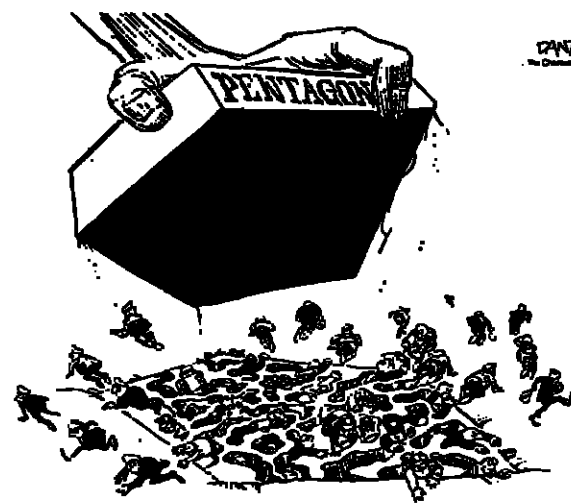
By Sam Nunn

The writer, a Democrat from Georgia, is chairman of the Senate Armed Services Committee.

WASHINGTON — Next January, the new president of the United States will confront complicated and demanding challenges to national security policy. Although internal changes in the Soviet Union may offer new opportunities, Soviet military power continues to grow.

economic threats today which, if left unattended, will become the source of military threats tomorrow. America's most basic defense task will continue to be to provide a survivable and effective nuclear deterrent. We face a fundamental question as technology decreases missile flight times and increases their accuracy.

The next administration must develop a sensible defensive research program. One aim should be to determine the affordability and feasibility of a system offering some protection against an unauthorized or accidental launch or a missile fired by one of the worrisome number of countries that may be acquiring long-range missiles.



For an Anti-Drug Bill That Works

By A. M. Rosenthal

NEW YORK — Republican and Democratic senators working on anti-drug legislation say privately that they would like the American public and press to send a one-word message to the two leaders of the Senate: Lead.

Half the money should be spent to reduce the demand at home. fense D'Amato, the New York Republican, worked for months on a detailed piece of legislation. Senators Daniel Patrick Moynihan of New York and Sam Nunn of Georgia led a Democratic working group which came up with a plan full of fresh ideas.

mini-guide to some that knowledgeable congressmen think are particularly important. A coherent plan of organization, with a cabinet-level drug czar on top, and federally aided anti-drug boards in the states and towns.

A Scientist Talks Like Gorbachev

By Flora Lewis

PARIS — The Soviet Union has just launched another spectacular space probe to Mars, with two vehicles to land on the Martian moon Phobos. Roald Sagdeyev, director of Moscow's Institute for Space Research, is proud but not happy.

General Secretary Mikhail Gorbachev echoed Mr. Sagdeyev's complaints and recommendations in speeches to the recent party conference, so somebody is listening.

He tells of the "bitter joke" of "Tass science" — projects chosen for and rated by the publicity they get from Tass, not by scientific contribution. The Academy of Sciences, which has immense power in allocating funds and promoting people, he calls "yet another bureaucratic ministry with a political rather than a scientific agenda."

He complains of far too much secrecy, and recounts the time he was warned before going to a scientific meeting abroad to give "no more than a kopeck's worth of information for every ruble's worth" he could get. He doesn't mind admitting he has bought expensive American computers for his institute from the "Moscow black market."

He points out that after the Saturn-5 rocket launched the Apollo, no other appropriate mission was found for it. "But we felt inferior. The U.S. had a giant launcher, so we have to have our own — the new rocket Energia."

West scientific competition, especially in space, but it hasn't necessarily led to the best choices, for either country. Mr. Sagdeyev is arguing for the restoration of truly scientific criteria in his own country. It would be good for all.

100, 75 AND 50 YEARS AGO

1888: Physician Assailed

LONDON — The St. James's Gazette publishes what purports to be extracts from the German medical report on the Emperor Frederick's complaint. They purport to show that each German physician declared the disease cancer, but that Sir Morell Mackenzie disputed this, and that he was who by examination scientifically injured the throat of his patient. The extracts are evidently maliciously made and adroitly put together.

1913: War Ultimatum

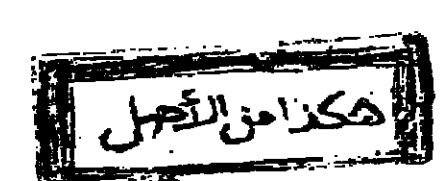
PARIS — The "Matin" this morning (July 11) states that Roumania has declared war on Bulgaria, and pub-

lishes the text of the ultimatum which the Roumanian Minister in Sofia has been ordered to present to the Bulgarian Government. The Roumanian Government declares that Bulgaria's sudden attack on the Serbian troops and her failure to reply to Roumania's warning have compelled the Roumanian Government to order its army to enter Bulgarian territory.

1938: Cathedral Restored

RHEIMS — The centuries-old cathedral of Rheims, partially destroyed during the World War, was restored in its pre-war glory by the people of France today. President Albert Lebrun was here, representing the people of France. Representatives of all the wartime Allied powers came to Rheims for the celebration. So did Marshal Petain and scores of government officials and other notables. In his sermon Cardinal Suhard, Archbishop of Rheims, pleaded for peace and declared that "justice" always ends by triumphing over violence.

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U.S. May Offer Compensation

The Associated Press

WASHINGTON — The Reagan administration is likely to announce within days that it will compensate the families of 290 passengers and crew who died aboard Iran Air Flight 655, a senior U.S. official said Sunday.

"We want to do the right thing," said Michael H. Armacost, under-secretary of state for political affairs.

In Tehran, Iranian leaders expressed pessimism Sunday over the outcome of the upcoming United Nations Security Council debate, but insisted that a diplomatic settlement was the best way to handle the crisis.

"The Security Council faces one of the major tests of its political history," Foreign Minister Ali Akbar Velayati declared. "The outcome of the debate will show how firmly it holds to the United Nations charter."

As compensation for relatives of those Mr. Armacost called "innocent victims of an air tragedy," he said the United States was consid-

ering "a humanitarian payment to the victims' families, and that includes a lot of third country national families."

"I would expect a decision sometime early next week," he said.

The payments would be "ex gratia," which does not carry a legal connotation of culpability, said Mr. Armacost, appearing on a CBS-TV interview program.

"We would not contemplate payments to the Iranian government," Mr. Armacost said. "I think one possibility would be through the Red Cross or through the Red Crescent, humanitarian organizations who would deal with the individuals."

The U.S. ambassador to the United Nations, Vernon Walters, speaking on ABC-TV, said that when Iran took its case to the UN Security Council, he was "going to defend the circumstances under which this occurred."

Mr. Velayati, the Iranian foreign minister, made his remarks about the Security Council before leaving for New York to attend the meet-

ing, which is to open on Tuesday. The session was requested by Iran. The Iranian deputy foreign minister, Mohammed Jawad Larjani, said Iran preferred to settle the issue through diplomatic channels.

He implied that even if the United States vetoed a Security Council resolution, this would not necessarily spark a violent reaction.

Speaking at a news conference for foreign reporters, Mr. Larjani also said any direct or indirect contacts with the United States "following this incident" would serve no purpose as long as Washington was "consistently pursuing its policy of hostility toward Iran."

The Sunday Times of London, meanwhile, reported that a British intelligence report based on monitored radio exchanges was "severely critical" of the U.S. Navy.

The report concludes that the flight left Bandar Abbas for Dubai only three minutes late, was on the correct path and was climbing, not descending as the Americans reported, when it was shot down.



Iran's deputy foreign minister, Mohammed Jawad Larjani, speaking Sunday in Tehran.

Mexico Opposition Refuses to Concede

By William Branigan
Washington Post Service

MEXICO CITY — The center-left opposition candidate, Cuauhtemoc Cárdenas, claiming he had won Mexico's presidential election, deployed his followers Sunday to monitor vote-counting at the Federal Electoral Commission began tallying final official results.

The action followed his statement Saturday night, when Mr. Cárdenas declared victory and warned that if the government, by means of electoral fraud, failed to accept defeat, it would be "the technical equivalent of a coup d'état" and his followers would be forced to take to the streets.

A president thus installed, he added, would lack legitimacy and the country could become ungovernable.

Joining supporters of Mr. Cárdenas' National Democratic Front to guard against alleged voting fraud at many of the electoral commission's 300 district committees were

followers of the conservative presidential candidate, Manuel Clouthier.

Mr. Clouthier called on his National Action Party to start peaceful "civil resistance" Sunday, such as blocking roads leading across the U.S. border. He, too, is demanding that the government respect the vote in the disputed, highly charged and confused July 6 elections for a new president and federal congress.

Electional commission officials said their 27-member body, dominated by the governing Institutional Revolutionary Party with a two-thirds majority, would begin evaluating results and electoral protests submitted by the district committees Sunday. They said final results could be made public late Sunday, or Monday morning.

The rival claims to the leadership of Mexico, with its population of more than 80 million, raised the prospect of a political crisis unprecedented in the history of the Institutional Revolutionary Party.

The party has held unchallenged power for nearly 60 years.

The Institutional Revolutionary Party's presidential candidate, Carlos Salinas de Gortari, declared victory a day after the election, based on his party's secret partial returns.

The latest partial results from the electoral commission, based on 10.1 million votes from slightly more than half the country's polling centers, showed Mr. Salinas leading with 48.7 percent of the vote, followed by Mr. Cárdenas with 29.6 percent and Mr. Clouthier with 16.6 percent.

Mr. Cárdenas, 54, an institutional Revolutionary Party maverick, said Saturday: "We have won the presidential election." He based his victory claim on electoral figures received by his National Democratic Front coalition "and, above all, information of total credibility from the interior of the government."

He declined to elaborate on this information, but released partial results, based on 6.7 million votes,

IRAN: Jet Loss Stirs Weary People

(Continued from page 1)

The war and the economy are intertwined. Economic decline and a shortage of foreign currency reportedly have led to increasingly serious difficulty in obtaining the arms and ammunition, thus contributing to defeat. The longer the war continues, the more precarious the economy.

On its most tangible level, the conflict with Iraq this year will cost Iran between 40 percent and 50 percent of its revenue.

The mainstay of the economy is oil, providing up to 90 percent of income. But although Iran is still pumping 1.6 million to 1.7 million barrels a day, the oil is becoming harder to sell. One reason is the depressed international market and high Western stockpiles. But according to several sources here, there are few buyers right now for Iranian oil, at any price.

They have had to store it at their own cost at distribution points outside the country, particularly in Rotterdam, said a diplomat who specializes in economic analysis.

Although a number of Western countries and Japan have long ignored suggested boycotts of Iranian oil, they are now finding it easier not to buy from Iran.

Prices have been rising steadily. Basic commodities for lower-income residents are heavily subsidized, through a rationing system, by the increasingly strained government. While the middle class feels the tightest pinch, the upper economic echelon "still has plenty of money" because the government needs its services and expertise.

The recent tests, Mr. Aspin wrote in a memorandum distributed this week to fellow subcommittee members, revealed "limitations within the current system architecture" that will "prevent the B-1 ECM from ever achieving full operational capability."

The air force does not yet know whether it can correct the system or will be forced to develop a new one.

The electronic system operates on eight bands that detect incoming radar signals and uses jamming to prevent defenders from targeting the bomber.

The B-1B was built to fill what the administration saw as a gap between the aging B-52 bomber force and the Stealth bomber, but Mr. Aspin said, "By the time the B-1 is fixed, we will have the Stealth."

The Stealth is to make its first flight in August.

BOMBER: Design Flaws

(Continued from Page 1)

able to do that mission in the way it was advertised."

Air force officials contended that the bomber could perform its mission, but said the limitations could force planners to "compensate for that through some other aspect."

Although the nature of possible changes is classified, officials said these could include finding alternate routes to targets, relying more heavily on other capabilities of the plane and using other weapons systems against Soviet defenses.

Mr. Aspin contended that the newly found problems "increase risks for the pilot and diminish the capability of what we bought."

Since the first of the bombers became operational in 1986, the plane has been plagued by problems, ranging from flight controls to its terrain-hugging radar.

While the air force said it had corrected those problems, the electronic countermeasures, or ECM, system has continued to pose the most serious problems.

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MILES: A Jazzman and His Brush

(Continued from page 1)

thighed, long-legged women from Rio show up regularly.

Since he entered his rock star period in the early '70s, Davis has been known for his colorful costumes. Did his interest in color begin with clothes? "Sometimes certain colors fit certain days," he said. "Like I'll want blue all over. But I might change my mind five times before a concert and I always decide at the last minute."

"Does music translate into color for you?"

"You mean do colors flash through my head when I play?"

He was chain-sipping iced tea. Central Park was spread out through the window behind him. Some sort of business associate walked in and Davis said: "You should see a doctor." The man looked surprised and asked why.

"You need a personality change," Miles Davis is not also known as the "Prince of Darkness" for nothing.

Although he kept referring to painting as his "hobby," the works exhibited in Munich will be priced from \$750. There is obviously still a good deal of ambivalence on his new activity: "Quincy Jones called me up and said, 'Man, I want to buy one of your paintings.' I told him to call [Davis's personal manager] Peter. But, hell, I'd give one to him. I'm always giving sketches away. If I had to make money from this, I'd starve. It's only my name. People say 'Let's see what Miles is thinking about.'"

He looked down at the canvases on the floor and murmured, as though to himself: "Just doing this, could I make a living? Maybe so." Then the doubter was the confident pop star again: "Fortunately, I have something to fall back on. I can make enough royalties so that I'll be 95 before I spend all the money and wear all my clothes."

"Do you approach a canvas like a musical composition, with some form in mind? Or do you figure it out as you go along?"

"The color. I get the color first. Then all the rest I improvise. Lines and circles. Maybe I'll want to draw a breast and an eye. I work from the subconscious, like music. It has to do something to me. I couldn't write a piece of music that doesn't make me tap my foot or make me feel something inside. Once the form is there, it's like an arrangement with openings for solos. It's a matter of balance. You can't have too much black, black is heavy. Like you can't have too much saxophone. Supposing there's a composition and the saxophone player can't get the style. You have to get another guy to fit in there. Like another color. Don't force it."

Davis went to Juilliard at the same time as Larry Rivers, one of America's most respected and successful painters, who was then a professional saxophonist and still plays regularly. "I haven't seen enough of him to be a good judge," Rivers said. "But I keep wondering what I would think of the paintings if I didn't know who

Arab Unrest Enters 8th Month, 3 Die

Jerusalem — A Palestinian was shot to death in a clash with Israeli troops on Sunday, and a weekend general strike paralyzed the occupied West Bank and Gaza Strip. The death was the third such death in three days.

The stepped-up Palestinian unrest followed a call from underground Arab leaders for protests and for businesses to shut down to mark the start of the eighth month of a Palestinian uprising against Israeli rule.

A spokesman for al-Ittihad hospital in Nablus said Zohdi Mansour Zriqeh, 17, died after a protest shot him in the legs at a demonstration Sunday in the Askar refugee camp.

"An army patrol was attacked by about a dozen youngsters throwing stones," an army spokesman said, "so soldiers opened fire when he was endangered."

Soldiers confined residents to their homes after the shooting. They also cleared parts of the West Bank "closed military areas," which prevented entry to journalists.

Troops shot and killed a 25-year-old man in the Jabalya refugee camp in the Gaza Strip on Sunday, and a 22-year-old died after a clash between stone-throwers and soldiers near Nablus on Friday.

The army also said it had destroyed five houses of Palestinians living in the Gaza Strip who were suspected of preparing or hiding fire bombs at army patrols or of trying to shoot or stab Arab suspected of collaborating with Israel.

The army says a house demolition, even before a suspect's indictment or trial, serves to deter others from carrying out anti-Israeli attacks.

At least 22 Palestinians and four Israelis have died in the uprising, which began Dec. 9.

Schools, shops and businesses were shuttered for a second straight day Sunday across the West Bank and Gaza Strip. Arab-owned buses and taxis were at a standstill. Militiamen brought buses to the Gaza Strip to take an estimated 35,000 Palestinians to work in Israel.

GROSZ: Soviet Example

(Continued from page 1)

marks by defending the police strong-arm tactics to break up a mass demonstration held in Budapest on June 16 to commemorate the 30th anniversary of the hanging of Imre Nagy, the prime minister of the revolutionary government overthrown by Soviet troops in 1956.

He also said there was "no room and no justification" for reconsidering "the character of the 1956 events," although he contended that individual aspects of the uprising should be studied by historians and others.

"It would be very timely and topical for a sociologist to write a study about the broadcasts of Radio Free Europe and the Voice of America and about the way in which they incited the Hungarians to revolt," he said.

Mr. Grosz lavished praise on Mr. Kadar, calling him "the most outstanding figure in the last four decades of Hungarian political history."

While Mr. Grosz's statements about political change were bedged with qualifications, his embrace of sweeping upheavals in the Hungarian economy was touched by fervor. Going through a long litany of goals, he said he favored "a market in which it is the consumer and not the producer who dictates," where rival companies compete vigorously and where "bosses and employees cannot feel safe and secure if they do not perform well."

When his interviewer suggested that Mr. Grosz sounded as if he were describing a capitalist system, the party leader responded: "If they are efficient, I find things sympathetic, regardless of slogans. I think we cannot live on slogans. The duty of theory is not to justify existing practice."

He also said that during his visit to the United States he would visit an 84-year-old aunt who emigrated from Hungary in 1936 and who now lives in Santa Monica, California. Mr. Grosz said the woman, his mother's sister, had held him in her arms when he was baptized as a child.

A Monthly Report

PE

FOCUS

Korea Euro Stiff Pre

The problem faced by the high cost of investing in Korea has been solved, according to a recent survey. Foreigners are limited in the amount of convertible local currency they can use.

The best known of the funds which trades on the New York stock exchange is the Korea Euro Fund, which has a net asset value of about \$2.47 a share. The Korea Euro Fund, which was quoted at a 7% percent premium last year alone.

In 1988, the market has been in the first four months of the year. The Korea Euro Fund, which has a net asset value of about \$2.47 a share, is up about 15 percent in the last 10 months.

MOST FORECASTS

Keep on climbing as long as the Korean government would be the last while the country is in a light, say observers. That view comes from a report by a Korean economist, who says that the country's growth will be a good one, but that its dependence on the world market is a major problem.

The key question for investors is the underlying quality. Nicholas F. Jones, a British analyst, says that far out of time for international investors. He says that the Korean economy is still recovering from 1987. Paying an 8% premium for a fund is equivalent to paying 14 to 15 times the market price. The fund is selling at a 15% premium.

ISRAEL: Sale Is Protested

(Continued from page 1)

bia. He contended that Israel might have been able to persuade Washington to limit the number of planes sold and put conditions on their use that would have protected Israel from attack.

Mr. Rabin, also of the Labor alignment, rejected both arguments. He told Mr. Aron that Israel should continue with low-cost military projects rather than revive the Lavi. As for Mr. Weizmann's claim, Mr. Rabin said sales of the F-15s and F-16s would have been far more damaging to Israel.

Kuwait-Soviet Arms Deal

Kuwait signed an arms agreement with Moscow two days after the U.S. Senate voted to block the sale of American missiles to Kuwaitis. Reuters reported the official KUNA news agency.

KUNA spoke of "some military equipment" without elaboration. Diplomats said this suggested a small contract, perhaps guns or communications equipment.

They said it was a clear signal to Washington that Kuwait would turn elsewhere if Congress did not approve a request for 40 F-16 bombers and advanced missiles.

The Senate voted Thursday to eliminate air-to-ground Maverick missiles from the package.

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WARSAW: An Unlikely Hero

(Continued from page 1)

and the mass deportation of Polish civilians to Soviet labor camps.

Despite inching closer and closer to the truth, however, neither the Soviets nor the Polish Communists have acknowledged Soviet responsibility for Katyn. As a result, says Mr. Michurik, "the central issue is now whether Gorbachev will tell the truth about Katyn, because Katyn has been the subject of the most lies over the years."

"If Gorbachev speaks on Katyn, it will be a symbolic event that would tell people that for the first time, a Soviet leader wants to have allies in Poland besides the Communists," said Mr. Litynski. "But it would open a Pandora's box for the Polish party, because the party's history is tied very closely to Katyn."

Leaders of Solidarity say that the average activist in their organization remains deeply skeptical about Mr. Gorbachev's policies.

Nevertheless, the unions' top strategists appear to be convinced on one key point: Mr. Gorbachev, they insist, would not intervene in Poland if Solidarity were to win legal recognition again.

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THE BOURSES

U.K. Image Makers Target a Unified Europe

By Marybeth Nibley

London

THE PUSH by the 12 European Community nations to meld themselves into a single market by the end of 1992 — free of restrictions on trade and financial flows — has set investors scrambling to target the businesses most likely to benefit from a unified economy. Two sectors receiving particularly close scrutiny are advertising and public relations.

The integration of the markets, helped along by the emergence of European-wide commercial television linkups, is expected to stimulate advertising demand. Ad agencies are seen benefiting from the emergence of pan-European brand names as food and other consumer-product groups consolidate to take advantage of larger-scale markets. In the financial field, the easing of restrictions on the cross-border sale of products such as mutual funds and insurance seems likely to add to demand for advertising and marketing services.

It is far too early to quantify the effects of the 1992 changes on the European market for advertising and public relations services. But the trackers of the EC advertising market are encouraged by the steady rise in total expenditures on all kinds of electronic and print media in recent years.

In 1988, the Advertising Association, a London-based trade group, estimates that total EC ad spending will rise 7 to 12 percent this year, which would bring total expenditures to about 1 percent of EC gross domestic product. A Phillips & Drew study said spending in the continental markets could grow 12 percent a year for a while, significantly faster than in Britain or the United States.

While these may be new themes to some investors, executives in the advertising and public relations field have long anticipated the changes, as witnessed by the emergence of mega-advertising groups such as Saatchi & Saatchi, WCRS, and WPP. Indeed, the major groups are seen as best positioned to exploit the changes, given the wide range of services they offer and their already commanding position in the market.

Of the major groups, Saatchi & Saatchi ranks as the largest ad group in Europe and derives 20 percent of its profits from the European market. Followers of the group expect it to build on its dominant position and to continue expanding its consulting operations. WPP, which also derives about 20 percent of its profit from Europe, is committed to further acquisitions there.

WCRS has taken a different tack from the two other major groups by its willingness to set up joint ventures. It has a 50-percent stake in the French media buyer SGGMD and a 49-percent holding in Belier. Belier, in turn, is part of the Eurocom group,

Ad and PR Firms

	Price	% change	1988	P/E
	June-28	from Jan-1	High-Low	
Boaes Massimi	258	8.8	301-242	NA
Lopez	213	30.7	233-158	14.4
Lowe Howard	389	19.0	409-328	12.8
Shandwick	483	11.0	510-415	15.8
VPI	321	16.3	483-268	18.1
Yellowhammer	182	31.9	180-138	NA
FT All Shares	961	10.5		12.9

one of the largest ad operations on the continent.

A handful of the second-tier agencies have built up substantial presences on the continent that enjoy good reputations. The best bets will be those firms that already have a loyal, diversified customer base in the U.K. were able to get a foothold in Europe early, and also offer a range of what the industry calls "below the line" services, such as public relations and market research. Lorna Tibbani of Sheppard's brokerage would recommend four — BMP Davidson Pearce, Lopez, Lowe Howard-Spinks & Bell, and Shandwick — as a "cocktail of mid-sized European players."

Some industry observers see special pitfalls for second-line firms if they try to expand into Europe too quickly. "If you link up ad hoc and don't understand the way Europeans do business, watch out," says Andrew Mills, an analyst at Barclays de Zoete Wedd. Adding to the risk is the meager financial depth of advertising firms, which often have little in the way of assets other than a talented staff and a list of clients.

Overall, opportunities for growth in corporate communication services, especially in the area of investor relations, may be greater than for conventional advertising services. Professionals view public relations in the financial fields as less sophisticated in Europe than in the United States or Japan. "There is an opportunity to develop an immature market," said Reg Valin, chairman of VPI Group, which is the holding company of eight subsidiaries that specialize in financial and corporate communications.

Here are brief looks at a few of the second-tier advertising and public relations groups:

BMP Davidson Pearce: The importance of moving into continental Europe was the principle reason for the recent merger of British advertising firms Boaes Massimi Pollitt and Davidson Pearce. Martin Boaes, chairman, says the "get together" will give the combined agency greater clout when it negotiates ad rates for clients and goes after talent in Europe. The new group will be among the top five U.K. ad agencies.

The aim was also to enlarge the range of services offered. About half of BMP's profits are derived from non-advertising sources, such as public relations and marketing research.

VPI Group: In recent months, VPI has concentrated on strengthening itself in the United States, acquiring the Carter Organization, a U.S. public relations firm that specializes in, among other things, lobbying shareholders in Wall Street proxy fights. In Europe, Mr. Valin said, VPI will "upgrade" existing relationships with affiliates. VPI already handles Visa cards, the largest European-wide public relations account held by a U.K. firm. Mr. Valin says Tokyo is the next area that will be emphasized in VPI's strategy, and he hopes to acquire a specialist public relations firm there.

Lopez: This group, whose stock has been strong performer in recent weeks, targeted the European market early. With operations in 12 countries, nine of them European, it offers advertising, marketing and public relations services. "Lopez, for its size, is incredibly well-represented," noted Neil Blackley of stockbrokers James Gampel & Co.

John Castle, Lopez's chairman, credits the compa-

ny's early emphasis on Continental expansion. "I think we're in better shape than most for Europe," he says, adding that it will be difficult for competitors who have not yet developed a presence on the Continent. European agencies owned by Lopez retain their local identity, which helps them win business, particularly from government-linked operators that might find it awkward to award contracts to foreign agencies, says Mr. Castle.

Shandwick: The largest independent U.K. public relations group, Shandwick recently made its first foray on the Continent by acquiring Kommunications, a West German public relations group based in Bonn. "We thought Germany was a good starting point from which we could expand," explained Jan Vercher, Shandwick's investor relations manager. But, he noted, "we're far from dependent on Europe."

Since 1986, Shandwick has made 10 acquisitions. This year's purchases have included a substantial Tokyo-based agency, Interactions Public Relations Ltd., whose client list includes Fujitsu, Mitsubishi and Hitachi. Most recently, it acquired the New York firm Rubenstein, Wolfson & Co.

Lowe Howard-Spinks & Bell: This ad agency and public relations group, with 24 offices in eight European countries, appeared on some brokerage buy lists in the spring. Its share price is up about 30 percent since the first of the year. David Foster of Chase Manhattan Securities believes Lowe Howard-Spinks' presence in the United States along with its network in Europe gives the group good potential.

Yellowhammer: This agency takes its name from a small yellow-bellied bird seen in southern England. Enthusiastic followers have pushed up the price of its shares, which are traded on the Unlisted Securities Market, by about 30 percent since the first of the year.

Yellowhammer has a reputation of depending on internal growth and in-house development of talent for growth rather than acquisitions. Industry observers expect it will be a while before the agency will be ready to play a substantive role in Europe. Still, John Burdett, Yellowhammer's corporate finance director, said the firm will not be left behind. "We are determined to be represented in the five key [European] markets prior to 1992." The agency has launched a financial communications division and recently announced plans to start an agency in France.

Though Burdett sees opportunities on the Continent, he is skeptical of the view that 1992 will sweep the European market into a new era overnight. "People who are seeing 1992 as anything more than a symbol are fooling themselves," he said. "It is only a symbol, a continuation of a process that has been evolving and will continue to take place."

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Japan's Exporters Find Lower Import Costs Are a Boon

Continued From Page 7

more than four times faster than prices at the factory gate — again for the third year running.

"You can call that profit margin," said David Pike, chief economist in Tokyo for UBS-Phillips & Drew. "The yen appreciation simply hasn't created as many problems as was thought."

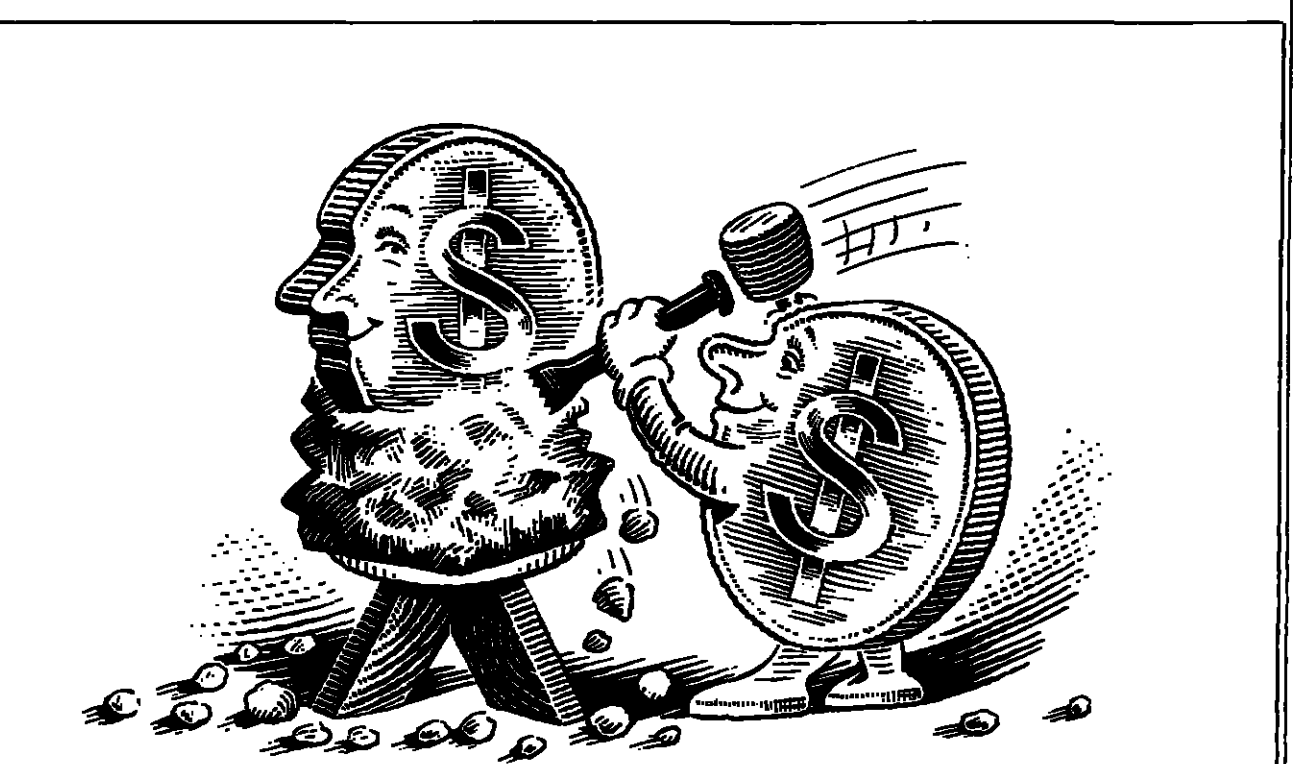
This year manufacturers face higher wage increases than they

Salomon Brothers Asia Ltd. "They'll pick up on the currency whatever they lose in unit labor cost."

Paradoxically, many of the companies regarded as exporters are doing well thanks to refocusing on a booming domestic market. Among automakers, for example, sales forces have mushroomed, distribution networks have been revamped and a

very significant change among consumers," says a local bank economist. "The Japanese are much more willing to spend now than they were only a year or so ago."

Structural advantages inherent in the Japanese economy have given the exporters the speed and agility needed to shift strategies rapidly. One of these is the easy availability of funds in the Japanese corporate sector, particularly through the issue of new stock on the booming local exchange.



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PARTNERSHIPS

The Partnership Industry Changes Its Tactics

IT HAS hardly been the best of times for limited partnerships in the United States. Tax reform legislation of 1986 removed their sheltered status. The stock market crash led to widespread investor hesitancy. And the sluggish performance of real estate and oil market — traditional areas for partnership investment — has heightened the prevailing uncertainty.

To overcome these drawbacks, the partnership industry has moved aggressively, changing its marketing tactics and even its products.

The industry was hit hard after the market collapse of Oct. 19. Sales of limited partnerships in the first six months of the year amounted to \$3.6 billion, a 14 percent decline compared with the same period last year. Investors have been especially hesitant about real estate deals, formerly the most popular vehicle. Sales in the real estate sector fell 48 percent to \$1.9 billion, while oil and gas partnership sales tumbled 37 percent to \$250 million.

In response, partnership sponsors have been forced to restructure new offerings to appeal to a wider audience. "In the last four or five months we've seen a lot of sponsors offering

guaranteed returns," says Christopher Davis, president of the Investor Partnership Association, an industry trade group.

For example, Public Storage Partners Preferred Yield II and III, which hope to raise \$50 million to invest in mini-warehouses, guarantees investors at least an 8 percent annual yield for three years. And if income from the warehouses falls short, the deficit will be made up from a private fund the general partner has set aside.

Moreover, prospectuses are increasingly promising quarterly or yearly appraisals of assets and the opportunity to reinvest dividends if investors like the way a deal is going.

In recent months, there has been renewed emphasis on partnerships capable of producing immediate returns such as equipment leasing. Volatile commodity funds are also being marketed with new vigor now that prices have soared because of the prolonged drought in the Midwest. And motion picture partnerships are getting more attention.

Another by-product of the current marketing effort is a steady drop in fees. This is the first year, according to the research firm of Rob-

ert Stanger & Co., that the majority of offerings promise investors more than 70 percent of the profits after all fees and costs have been taken out. Fees, which stood at about 30 percent of a deal's value in 1986 now come to only about 15 percent of total value and most industry experts expect a further drop.

Such innovations may comfort investors, but William Brennan, publisher of Brennan Reports, a tax and investment newsletter, warns that "everything has a price." He estimates that the cost of a guaranteed return could knock a couple of percentage points of appreciation off annual returns.

Indeed, overall returns remain difficult to calculate. Silver Screen partnerships have a long record of hits, but returns from film partnerships have been middling because of fees and claims by other partners.

For example, Silver Screen III is expected by analysts to return about 15 percent. By contrast, a straight investment in Walt Disney stock, the producer of Silver Screen movies, would have returned 54 percent since Silver Screen III's inception.



A scene from Silver Screen III's 'Roger Rabbit.'

Tax Law Put MLPs in Limbo

WILLIAM Turchyn, a senior vice president at Shearson, Lehman, Hutton, believes the possible future of one master limited partnership, the Boston Celtics, speaks eloquently about the fate of such investments that trade like common stocks.

"Even if the Celtics win the National Basketball Association Championship next year, their master limited partnership units will remain in limbo." They were put there in part, he says, by the Revenue Act of 1987.

Fearing that companies would avoid tax reform's higher corporate rates by converting to master limited partnerships, Congress decided last December to classify returns from existing partnerships as portfolio income.

Now, institutional investors must pay a special tax if they hold MLPs and all businesses other than real estate and oil and gas partnerships are prohibited from entering the MLP market. Additionally, MLPs in prohibited areas that predate the revenue act will lose their tax advantaged status in 1997.

	1 Mon.	12 Mos.	Year to Date
All MLPs	-1.3	-7.4	+13.4
Oil-Gas MLPs	-0.4	-14.7	+17.4
Real Estate MLPs	-2.3	-1.4	+15.9
S&P 500	-5.7	-10.8	+0.3
Treasury Bonds	-1.7	+1.8	+8.5

Source: The Stanger Register

Secondary Market Is Struggling

SELLING UNITS in limited partnerships before their maturity has never been easy, but it has been especially troublesome in recent months as investors feel the full impact of tax reform and expiration grows with poorly performing markets.

When selling a partnership on the secondary market, an investor generally is forced to offer a discount that ranges between 30 percent and 40 percent below net asset value. "That's largely the result of a very thin market," says Karen Knudson, a limited partnership specialist at Balaire, Biehl and Kaiser, a San Mateo, California money management firm.

Despite the discount, investors still may find it difficult to find a buyer. Repackagers — firms that buy and wrap up several existing partnerships for resale — like Liquidity Fund in Emoryville, California and Mackenzie Securities in San Francisco will only purchase mature portfolios that are three or four years old and whose assets are easily appraised. It is unlikely they would buy a troubled investment.

Likewise, the National Partnership Exchange, the only auction service in the United

States, which is based in Tampa, Florida, is also selective. The service limits itself to an approved list of about 800 current partnerships. Although this accounts for roughly 80 percent of all partnership dollars in the public's hands, it does not include deals in more speculative areas such as venture capital and research and development.

Private partnerships, which now account for only a small segment of the limited partnership market, also are not included on the list. Similarly, very few private deals are bought by the repackagers.

Ultimately, some investors end up approaching their broker or the general partner in hopes that they know someone who would be willing to buy the units. But experts advise investors to shop around for the best offer available. "If you do decide to sell, try everybody — the repackagers, your broker and the auction service," says Ms. Knudson. "The different offers you get can vary by as much as 10 percent."

David C. Lancher

HARD ASSETS

Increase in Diamond Sales Is Spurred by Buying in Asia

By D. Jacqueline Smith

Ten times a year, the Central Selling Organization, the diamond distribution network controlled by South Africa's De Beers Consolidated Mines, invites about 150 dealers from around the world to London for what is known as "sights."

It is here that dealers inspect and purchase boxes of rough diamonds that are sometimes in turn sold to other dealers. If the resales result in hefty profits for the dealers who attended the "sights," that is a signal that demand is sufficiently ahead of supply for De Beers to raise prices.

And rise they did in May, continuing a trend of more than three years. Because of the so-called "premium on the box" paid in the resales, De Beers, which controls about 75 to 85 percent of the world's production of rough diamonds, raised prices by 13.5 percent.

Some dealers expect further increases this year. Joseph Schlusel, head of the Diamond Registry Bulletin, notes that "premiums of 7 percent to 12 percent have been paid, on top of the May rise, for some of the May boxes of rough diamonds." Martin Rapaport, a broker and editor of the Rapaport Diamond Report, expects prices to increase another 15 percent this year, with strong demand for smaller diamonds.

But for the time being, the Central Selling Organization is giving no hint of another price increase. Andrew Lamont, a spokesman for the organization, says supply and demand are in balance.

Part of the tightness in supply that led to the May increase can be traced to events following last October's global stock market crash. After the crash, the Central Selling Organization moved quickly to protect the industry of what it feared would be a soft market. The organization held back about 50 percent of what they normally would have released at the November and December "sights," says Mr. Rapaport.

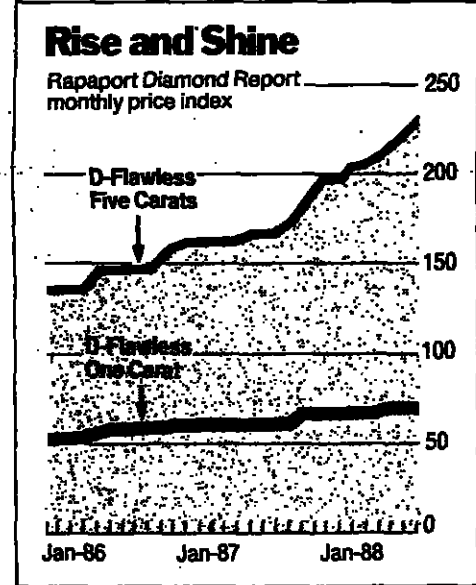
So far, the crash appears to have had little effect. Indeed, there is evidence that the crisis stimulated demand somewhat as investors sought out assets other than stocks and bonds. Also boosting prices is strong demand from the Far East.

Two days after Black Monday, Christie's auctioned a pear-shaped diamond of 64.83-carat. "It was the largest diamond to go up for sale, and the timing looked awful," acknowledges Francois Curiel, an auctioneer at Christie's.

But the massive stone was sold to a buyer from London for \$6.4 million. It was a good sign that the auction market for diamonds was strong, says Mr. Curiel.

The health of the market can be seen in price rises in the last six months. In December, the price of a one-carat D-flawless diamond, the quality benchmark in the industry, was \$13,000. The same stone now fetches \$14,500. Falling from an average price of \$63,000 a carat in 1980, this investment-grade diamond hit a low of about \$12,600 in 1985. The price rises that became apparent in 1985 started with the large stones, but since July of last year all stones have been affected, said Claude Sautjet, president of Harry Winston, the Fifth Avenue jeweler.

Much of the demand driving up prices is coming from Japan and Southeast Asia, says Mr. Rapaport. "Japan is the critical component pushing diamond



prices up," he says. "Right now, the market is also very dependent on countries such as Taiwan, Korea, Hong Kong, Thailand," where there is a growing class of wealthy consumers.

Thanks to strength of the yen, Japanese purchasers still regard diamonds as attractively priced. The price of a diamond in yen has not changed for the Japanese in the last three years, notes Mr. Sautjet. In dollar terms, diamond prices have doubled in the same period.

Measured in dollars, Japan's diamond imports swelled more than 60 percent in 1987, or about 35 percent in yen terms. That amounted to 2.4 million carats of polished diamonds, about 50 percent more than the number of carats in 1986, and marked the seventh straight year of growth in Japanese diamond imports.

The Japanese market is bringing a new class of buyers, says Mr. Rapaport. It has become fashionable for young, single women to buy themselves cocktail rings with diamonds, Mr. Rapaport notes.

This type of Japanese customer is a first-time buyer, he notes, so the initial purchase tends to be one of the smaller stones. The smaller stones are the "bread and butter" of the American market, Mr. Rapaport says, so higher prices can soon be expected in U.S. stores.

"The backbone of the diamond industry is the consumer who buys a half-carat engagement ring," says Mr. Schlusel of the Diamond Registry. Seventy-five percent of brides in the United States receive a diamond engagement ring, and it's usually half a carat, he added. In the first four months of this year, \$800 million worth of diamonds of under half a carat were imported into the United States, compared with \$780 million worth of diamonds of over half a carat.

Buying a diamond for purely investment reasons is rare, say those in the trade, and few buyers outside of professionals have the skills to find or recognize a good deal.

Says Mr. Schlusel: "Nobody buys a diamond for profit, but if you can afford to wait five to ten years, then you might see a gain."

**Every Wednesday in the IHT
MADISON AVENUE
by Philip H. Dougherty**

A regular weekly column that is must reading for advertising/marketing professionals internationally. Philip Dougherty's daily "advertising" page in The New York Times is essential reading on Madison Avenue. Now, every Wednesday, the IHT publishes a column featuring the best of Philip Dougherty's most recent reporting. If you're interested in the communications business, you will not want to miss it.

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£10,000	8.25%	8.42%
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FROM 1875... REW MONDAY, JULY 11, 1988

EUROBONDS Good News For the Dollar Would Be Bad for Market

By CARL GEWIRTZ International Herald Tribune PARIS — It takes little imagination to hear the global financial biting that will take place this week as foreign-exchange traders and speculators wait for Friday morning's report from Washington on the size of May's trade deficit. It will be a critical number.

A "good" number, \$10 billion or less, will confirm the declines registered in March and April and set the stage for a powerful surge in the value of the dollar.

"For the stability of exchange rates," said Richard C. Koo, a Tokyo-based economist for Nomura Research Institute, "you have to hope it will be a bad number. If it's good, it will create one hell of a problem."

Three good figures in a row, he and other analysts agreed, would be read in the market as proof that the dollar has reached a level permitting a sustained improvement in the trade deficit.

"Investors waiting to get back into the dollar are not going to wait until the deficit is at zero," Mr. Koo said. "They will move back into the dollar when it still looks cheap — making it difficult for central banks to contain the rise."

In his view, short-term speculators who had driven the dollar sharply higher by repurchasing dollars that had been sold forward have now reversed positions, to lock in the exchange gains already recorded, and have again begun selling dollars forward.

But longer-term investors in Japan never really joined that bandwagon and are increasingly nervous that they may be missing an opportunity.

Even if only a minority of these longer-term hedgers are removed, said Mr. Koo, "it could have quite a substantial impact on the exchange rate."

Continued appreciation of the dollar would create a number of problems. It would further expose the disunity within the Group of Seven; the Bundesbank is already, without much apparent success, trying to restrain the depreciation of the Deutsche mark, and at some point the Bank of Japan, which shares the same concerns about importing higher inflation, will be drawn into open opposition.

Even assuming the Federal Reserve Board engages in serious concerted intervention to halt the dollar's rise, the central banks risk finding themselves fighting a market that believes it has economic fundamentals on its side.

SINCE 1985, when the Group of Seven decided the dollar's value had risen too high and had to be cut, the central banks have had economic fundamentals — the ever-widening U.S. trade and current-account deficits — on their side. Driving the dollar lower was largely a one-way, albeit at times rocky, street.

On a two-way street, with central banks trying to buck market sentiment, officials risk finding the means at their disposal greatly inferior to what the market can muster.

Failure to contain the dollar's rise would have unpleasant consequences. For one thing, while the trade deficit may be improving at current exchange rates, the United States will need a relatively undervalued dollar for some years before the deficit is reduced to a level deemed sustainable: significantly below \$100 billion a year.

Not to be overlooked is the current-account deficit, which measures trade in goods plus services and investment income. This is the deficit that actually has to be financed internationally. The continued need to sell U.S. debt securities to foreigners to finance that deficit means an ever-increasing outflow of dollars to service the debt.

As a result, despite the recent improvement in the trade deficit, the current-account deficit has continued to widen.

Even when the dollar was at 126 yen and 1.69 DM — the rates currently are 133 yen and 1.84 DM — the Organization for Economic Cooperation and Development and the International Monetary Fund were warning that there was still no sign that the huge external U.S. deficit or the huge West German and Japanese surpluses would be reduced to levels considered sustainable.

The rise of the dollar would exacerbate this unsustainable imbalance. Equally, the rise would undermine the investments now being made by U.S. industry to expand capacity to meet export orders, as the higher dollar would render these exports less competitive.

Thus, Mr. Koo said, the best possible news on Friday would be for a zig-zag, two months of favorable trade data followed by one month of disappointing news.

That would sustain a sense of uncertainty in the foreign-exchange market, helping to maintain a sense of two-way risk that would discourage a global shift back into the dollar.

Failing that, concerted intervention is the next best hope. But analysts wondered to what extent the Fed is prepared to lend its

See EURO BONDS, Page 13

Rule Due On Bank Capital

Basel Talks Could End This Week

ZURICH — Central bankers from the leading industrialized nations are to meet on Monday and hope to conclude an accord fixing the minimum amount of capital that a major bank must hold.

Several bankers have predicted that the accord could be wrapped up this week, although banking sources said that more fine-tuning might be needed, particularly to accommodate the West Germans.

The bankers, meeting at the Bank for International Settlements in Basel, will address proposals by a committee of the Group of 10 industrial nations chaired by a Bank of England associate director, Peter Cooke.

The committee's final report proposes that by 1992 banks be required to hold capital broadly equal to 8 percent of all risk-carrying assets. Different risks carry different weightings.

The proposals would force many countries to tighten standards. Sources said that West Germany still considered the definition of capital too liberal.

Half of the minimum required capital must be made up of core capital — that is, equity and disclosed reserves — and the other half of supplementary capital, a regulatory official familiar with the proposed guidelines said.

Supplementary capital includes hidden reserves, long-term debt and loan-loss reserves.

The proposals include a plan to consider mortgage loans other than for owner-occupied properties as 100 percent risks.

This clause is favored by the U.S. Federal Reserve Board but opposed by central banks of some other nations, including West Germany, the Netherlands and Switzerland.

Elsewhere around the globe, a strong dollar is regarded as good for export earnings. But dealers reported that concerns about inflation and higher interest rates can also dampen sentiment.

Worried that a strong dollar will put up the price of imported goods, and thus import inflation, West Germany's central bank has repeatedly been selling dollars to try to brake the currency's rally.

The Bundesbank sold dollars all last week, and dealers are watching for clues as to whether the Federal Reserve is equally committed to taming the dollar.

Currency dealers in New York said the U.S. central bank intervened after the dollar breached 1.83 marks Friday, and then again after it rose to 1.8435. But they said the U.S. central bank's dollar sales appeared modest.

The Fed sold dollars in \$10 million lots through a handful of European and U.S. banks, dealers said, briefly pushing the currency below 1.84 marks in the afternoon. But it recovered to finish near its highs.

Dealers' reactions to the Fed proposed new tax on a key raw material, natural gas.

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Especially with simple products, cost-effective production could only be achieved "by shifting abroad within an international production network," he said.

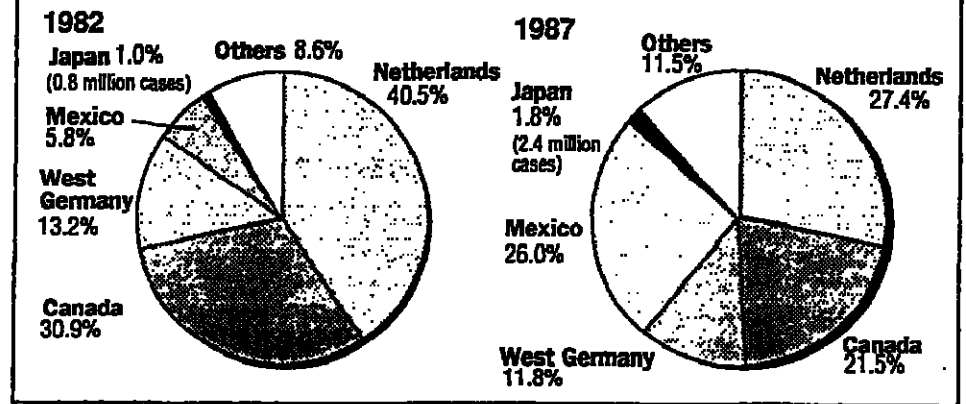
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Companies also want to base manufacturing in key export markets, to avoid currency fluctuations and transport costs.

Changing Tastes in U.S. Beer Imports



Japanese Dry Whets U.S. Appetites High-Alcohol Beer Imports Buck Trend to Moderation

By Andrew Feinberg New York Times Service NEW YORK — Given the current social climate, if American marketers proposed increasing the alcohol content of a beer to spur sales, people would probably wonder what they had been drinking — and how much.

After all, the trend has been toward moderation. Light beer now accounts for 25 percent of U.S. sales, and this year even Jack Daniel's, that supposed bastion of tradition, has lowered the proof of its Tennessee whiskey.

Yet since last month, higher-alcohol beer has been appearing on store shelves and on restaurant tables in New York, New Jersey, California and Hawaii. And next month, the beer will become available in eight more states and in Washington.

All of the beer is from Japan. While the arrival of still another Japanese import is hardly major news, this one brings with it one of the most astonishing marketing stories of recent years.

Three years ago, Asahi Breweries Ltd. of Tokyo finally got tired of seeing its market share plummet year after year. The company decided to ask 5,000 Japanese consumers to describe the ideal beer — which, Asahi deduced, it had not been making. The consensus? It should be dry, crisp and have no aftertaste.

Using a new variety of yeast, Asahi then created Super Dry, which has 10 percent more alcohol than regular beer, the same number of calories and a drier, less sweet taste because it is fermented longer and contains less sugar.

When Asahi introduced the product in March 1987, the Japanese beer market took off. Asahi's sales leaped 33 percent in 1987. Early this year all three of the other major Japanese brewers — Kirin, Sapporo and Suntory — rushed out competing dry beers. Together, the four control more than 99 percent of the total beer market.

The new brew has put a kick in a market that had been calmly growing at 3 percent annually. In 1987, sales rose 7.5 percent, and this year they are racing ahead at an 8 percent clip.

For the individual brewers, the afterstocks have been enormous. Asahi now sells almost half the dry beer in Japan. Its total share of beer sales has soared to 20 percent, from 10.4 percent, in just 16 months. Kirin's share, meanwhile, has sagged to 51 percent, from 60.

There have been social consequences as well. Many grocery store owners now place apologetic signs in windows saying they are out of dry. Asahi employees may not buy Super Dry because every precious drop must be reserved for customers.

And American celebrities, long popular in Japanese ads, have been recruited as pitchmen. Mike Tyson, the world's heavyweight boxing champion, may push Pepsi here, but in Japan he's a Suntory Dry man.

In one TV commercial, Gene Hackman, the actor and Kirin Dry spokesman, says: "I'm so happy I could cry. Dry. Dry."

Although the brewers say more alcohol is not the source of the product's appeal, Yasuhiro Fukuyama, beer manager of the Suntory International Corp., admits Tyson was chosen to "communicate the power and the punch of the beer."

One expert said Japanese culture might help explain the craze. "The Japanese are much more into beer," he said. "They are much more into drinking." See BEER, Page 15

4 OPEC States Are Said to Seek Talks on Prices

Reuters KUWAIT — Four members of the Organization of Petroleum Exporting Countries are seeking an emergency meeting of the 13-nation group to discuss ways of halting a slide in world oil prices, the Kuwait News Agency, KUNA, has said.

In a dispatch from Vienna, headquarters of the producers' cartel, KUNA quoted a source close to the group as saying Iran, Libya, Algeria and Venezuela wanted the extraordinary meeting.

But, the agency said late Friday, Gulf Arab members had reservations, fearing that failure to agree could send world oil prices even lower.

World oil prices firmed last week after renewed tension in the Gulf following the downing of an Iranian airliner by U.S. forces; the loss of the Piper Alpha oil platform in the North Sea, which exploded with the loss of about 166 lives; and reports that OPEC was considering an extraordinary meeting.

But prices remain more than \$3 a barrel below the group's official price of \$18 a barrel because of oversupply and output-quota violations by some OPEC states.

U.S. oil analysts said Friday that OPEC was more likely to resort to behind-the-scenes maneuvering to boost prices, as the risk of failure at a formal meeting was too great.

At its last meeting in mid-June, OPEC was divided between those favoring fresh output cuts and those opposed.

Iran, Libya and Algeria have traditionally favored low production levels and high prices, while the Gulf Arab states, led by Saudi Arabia and Kuwait, have resisted output cuts, which they see as undermining OPEC's world market share.

The OPEC president, Rilwan Lukman of Nigeria, due in Vienna on Monday for consultations, has said the \$18 price can be attained if all members stick to their output quotas.

Iraq is not included in OPEC's current production pact because it rejects any quota less than that of Iran, its Gulf war foe. The United Arab Emirates, according to industry sources, recently started making good on a threat to pump more oil than its quota provides for.

Earlier this month, it was disclosed that the Emirates, Iraq and Iran had sharply increased estimates of their proven oil reserves.

Meanwhile, the Organization of Arab Petroleum Exporting Countries urged Arab oil producers to invest more in refineries in the Arab world.

Investments in new refineries in the Arab world are not receiving the attention they deserve, although the increasing Arab consumption of refined products will ensure a continuously expanding market, OAPEX's July Bulletin said in an editorial.

Several Arab oil producers, including Kuwait, Saudi Arabia and Abu Dhabi, have bought shares in refineries in the West to guarantee markets for their crude oil.

OAPEX said these investments were cheaper than building new refineries, provided expertise and complemented domestic oil activities. But the oil products sector in the industrialized world is oversupplied and only marginally profitable, it said.

Tangible improvement in the oil markets of industrialized countries is not expected in the foreseeable future, the Bulletin said. OAPEX groups Saudi Arabia, Kuwait, Qatar, the United Arab Emirates, Iraq, Libya and Algeria, all of which are OPEC members, with Bahrain, Syria and Tunisia.

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The Dollar, at 9-Month High, Awaits Direction

LONDON — The dollar is entering this week at nine-month highs against the Deutsche mark, buoyed by the strength of the U.S. economy, and some dealers said it could make further gains against European currencies.

Currency markets are awaiting the U.S. trade figures for May, due Friday. Good figures could extend the dollar's month-old rally. But it could fall if the deficit is appreciably wider than April's \$9.9 billion, dealers say.

"The market really needs to see figures under \$10 billion to sustain dollar euphoria," said a trader at a major London bank.

Some dealers thought the dollar's rally might have peaked last week. Then Friday, the United States announced that its unemployment fell in June to a 14-year low at 5.3 percent.

A higher labor market signals higher wages. Markets speculated that, to damp down a risk of inflation, the Federal Reserve Board might soon move interest rates up. And since higher U.S. interest rates would make dollar assets more rewarding, more hot money flowed into the dollar.

It closed in New York on Friday at 1.8415 DM. A month ago it was worth 1.72 DM. The dollar also ended at 133.25 yen, against about 125 yen a month ago.

The dollar could rise to 1.90 DM and 140 yen if U.S. trade figures continue to improve, Rolf G. Selge, senior vice-president of Morgan Guaranty Trust Co., said at a meeting of foreign-exchange dealers in Jordan, at the weekend.

Stock markets around the globe take a mixed view of the latest developments on the dollar and the U.S. economy. Prices fell on Wall Street on Friday against a backdrop of inflation and interest rate concerns.

"The economy's growing too fast for its own good and I'm pretty sure the Fed will come to the same conclusion before long," said Dana Johnson of First Chicago Corp.

Elsewhere around the globe, a strong dollar is regarded as good for export earnings. But dealers reported that concerns about inflation and higher interest rates can also dampen sentiment.

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Companies also want to base manufacturing in key export markets, to avoid currency fluctuations and transport costs.

Japan to Help Brazil Get New Credit

Reuters BRASILIA — Japan has promised to help Brazil secure new credit from the industrial world, the Brazilian Finance Minister, Malton Nobrega said after a four-day visit to Tokyo.

Mr. Nobrega said on his arrival at the Brasilia airport Saturday that he was optimistic about Japan's response to a Brazilian request for \$5.5 billion in loans from the Nakasone Fund to help finance 19 projects for economic and social development.

He said various countries' contributions would be discussed this week when he visited the United States, Canada, Britain, France, Switzerland and West Germany for official talks.

After a 10-month moratorium on interest payments on most of its commercial debt, Brazil returned to the negotiating table with banks in June 22, 1987.

On June 22, it announced agreement on rescheduling \$63.6 billion of commercial debt. The country will also obtain \$5.8 billion in fresh loans from its creditor banks.

The minister added that his trip to Japan had also been linked to a request for a \$2 billion loan from the World Bank for restructuring of the Brazilian economy.

In a letter to the International Monetary Fund last week, Brazil formally asked for a \$1.436 billion contingency loan.

In presenting its cost-cutting economic package to the IMF, the letter said the program's goals were to avoid acceleration of inflation, create conditions for reducing it, restore sustainable economic growth, reduce disparities in income distribution and maintain vigorous performance in the foreign area.

Undersecretary for Finance Michael Gartenkraut, Brazil's chief negotiator during a visit by an IMF mission in May, said Brazil was seeking the first \$300 million installment by Aug. 15. He said Brazil expected the IMF to approve the 18-month program by the last week of July.

Currency Rates

Table with columns for Currency, Rate, and Date. Includes entries for Amsterdam, Brussels, Frankfurt, Milan, New York, Tokyo, Zurich, and various other currencies.

Other Dollar Values

Table with columns for Currency, Rate, and Date. Includes entries for Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, France, Germany, Greece, Hong Kong, India, Italy, Japan, Korea, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, USA, West Germany, and Yugoslavia.

Forward Rates

Table with columns for Currency, Rate, and Date. Includes entries for German, French, Japanese, and Deutsche bank.

Bosch to Shift Some Production Overseas

FRANKFURT — One of West Germany's leading electronics firms said it plans to shift some production abroad, joining a long list of companies that have moved out because of high wage costs in Western Europe's largest economy.

Robert Bosch GmbH's plans, announced last week, are in line with a trend that will continue, economists said. For similar reasons, many U.S. firms have moved assembly lines to Mexico.

No one was predicting that manufacturing would vanish from West Germany.

But in another development last week, BASF AG, the nation's biggest chemical company, said it would consider shifting fertilizer production abroad if the government goes ahead and imposes a

Fokker Negotiating Jet Sale

AMSTERDAM — Fokker NV, the Dutch aircraft maker, is negotiating the sale of up to 24 Fokker 100 jetliners to Wardair International Ltd. of Canada, Fokker officials said Sunday.

They said they expected an early outcome to the talks involving up to 16 firm orders for the short-haul, twin-jet airliner, with the possibility of another eight options.

Kuwait Orders Default Suits

KUWAIT — Kuwait has ordered commercial banks in the country to sue debtors who have defaulted on their loans and refuse to cooperate with a government rescheduling plan, the governor of country's central bank said Sunday.

Sheikh Salem al-Sabah said that preparation of settlement proposals for nearly all of the 1.9 billion dirhams (\$6.74 billion) in nonperforming loans covered by the plan would be completed in the next 10 days.

This brings a government program begun in 1986 to reschedule bad bank debt to its final phase, he said.

Soviet Bank's Fall Detailed

MOSCOW — A Soviet newspaper Sunday lifted some of the veil of secrecy over the collapse of a Soviet-owned bank in Zurich, which lost 500 million Swiss francs (\$328 million) before it was declared bankrupt in 1985.

Sotsialisticheskaya Industriya disclosed that the Soviet manager of the Voskhod Handelsbank had been granted amnesty by a Soviet court despite his role in the affair, which included using bank funds to shower gifts on Kremlin leaders.

Yuri Karaukh was granted amnesty at a trial this year on the grounds that he was a war invalid and had been decorated by the state for his services at the head of the bank, the newspaper said.

Voskhod Handelsbank was the main outlet for Soviet gold sales to the West before bankruptcy in

Last Week's Markets

Table with columns for Stock Indices, Money Rates, and Date. Includes entries for United States, DJ Index, DJ Utility, DJ Trans, S & P 100, S & P 500, S & P 100, FTSE 100, Nikkei 225, West Germany, and others.

Table with columns for Money Rates, Date, and Interest Rates. Includes entries for Discount, Call money, 3-month interbank, and others.

OHIO UNIVERSITY OHIO PROGRAM OF INTENSIVE ENGLISH INTERNATIONAL TRAINING AND DEVELOPMENT

National Westminster Bank PLC Primary Capital FRNs (SERIES "A")

Lloyds Eurofinance N.V. Guaranteed Sterling/US Dollar Payable Floating Rate Notes

New International Bond Issues

Compiled by Laurence Desvillettes

Issuer	Amount (millions)	Mat.	Coups. %	Price	Price end week	Terms
FLOATING RATE NOTES						
<i>Class 14</i>						
Alliance & Leicester Building Society	\$ 70	1993	0.28	100.10	—	Over 6-month Libor, Noncallable, Fees 0.10%.
Hoyds Bank	£ 200	1998	1/4	100	—	Interest will be pegged to 3-month Libor, but spread may vary each quarter. Average life 8 years. Fees not disclosed.
Bergan Bank	¥ 5,000	1993	0.10	101 1/4	—	Over 3-month Libor, but spread over Libor may vary each quarter. Redeemable at par on every interest payment date. Average life 8 years. Fees not disclosed. Increased from £150 million.
Koraeis-Osaka-Faridi	¥ 5,000	1992	1/2	101 1/4	—	Over the Japanese long-term prime rate, semiannually. Redeemable at par in 1991, with redemption amount then and of maturity linked to the performance of the Nikkei 225 stock index. Fees 1.5%. Denominations 100 million yen.
Koraeis-Osaka-Faridi	¥ 5,000	1992	1/2	101 1/4	—	Coupon will be 8.6% less the Japanese long-term prime rate, semiannually. Fees 1.70%. Denominations 100 million yen.
Sparakassen	¥ 5,000	1993	0.20	100.10	—	Below the fixed-to-floating interest rate swap level. Noncallable. Fees 0.20%. Denominations 100 million yen.
FIXED-COUPON						
American General	\$100	1991	8%	101 1/4	—	Noncallable. Fees 1.5%.
Denmark	\$600	1991	8 1/4	101.175	99.48	Noncallable. Fees 1.5%.
Finland Export Credit	\$150	1990	8%	101.025	99.88	Noncallable. Fees 1.5%.
Italy	\$1,000	1993	9	101.175	99.18	Noncallable. Fees 1.5%. Denominations \$10,000.
Montreal TrustCo	\$100	1991	9	101 1/4	—	Noncallable. Fees 1.5%.
Skopbank	\$ 50	1991	17	101 1/4	—	Coupon will be paid in dollars but will be computed in Danish kroner and Deutsche marks, using fixed exchange rates of 6.578 kroner and 1.82019 marks per dollar. Fees 1.5%.
Deutsche Girozentrale Int'l	DM 150	1993	5 1/2	100 1/4	—	Noncallable private placement. Fees not disclosed.
Eurofina	DM 400	1998	6 1/4	100 1/4	98.40	Noncallable. Fees 2%.
Thailand	DM 200	1993	5 1/2	100 1/4	98.00	Noncallable. Fees 2%.
Coop Financia	DF 100	1995	6 1/4	99 1/4	—	Noncallable private placement.
European Investment Bank	€ 150,000	1996	10 1/4	101 1/4	100.25	Callable at 10 1/4% in 1993. Fees 1.5%.
Total Compagnie Francaise des Petroles	€ 50	1993	7 1/4	101 1/4	99.38	Noncallable. Fees 1.5%.
American General	CS 125	1991	10	101 1/4	97.75	Noncallable. Fees 1.5%.
Montreal TrustCo	¥ 5,000	1993	2 1/4	101 1/4	—	Coupon will be 2 1/4% the first 2 years and 7% thereafter. Noncallable private placement. Fees 1.5%.
EQUITY-LINKED						
C. Itoh Fuel	\$ 70	1993	open	100	97.50	Coupon indicated at 4 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set July 14.
Diesel Kiki	\$120	1993	4 1/4	100	97.75	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 878 yen per share and at 133.70 yen per dollar. Fees 2.5%.
Mitsubishi Cable Industries	\$120	1993	open	100	97.50	Coupon indicated at 4 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set July 11.
Muraw	\$ 50	1993	4 1/4	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 1,312 yen per share and at 133.95 yen per dollar. Fees 2.5%.
Nankai Electric Railway	\$100	1992	open	100	97.50	Coupon indicated at 3 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set July 15.
NHK Spring	\$100	1993	4 1/4	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 788 yen per share and at 134.70 yen per dollar. Fees 2.5%.
Nichii	\$100	1992	open	100	100.00	Coupon indicated at 3 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set July 12.
Nippon Electric Glass	\$120	1993	4 1/4	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 2,133 yen per share and at 134.70 yen per dollar. Fees 2.5%.
Nippon Steel	\$600	1992	3 1/4	100	106.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 687 yen per share and at 134.70 yen per dollar. Fees 2.5%.
Nippon Synthetic Chemical Industries	\$ 60	1993	4 1/4	100	97.50	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 923 yen per share and at 133.70 yen per dollar. Fees 2.5%.
Nippon Yakin Kogyo	\$ 70	1993	4 1/4	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 1,000 yen per share and at 133.50 yen per dollar. Fees 2.5%.
Nippon Yusen	\$200	1993	4	100	102.50	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 800 yen per share and at 134.70 yen per dollar. Fees 2.5%.
Nippon Yusen	\$100	1995	5 1/4	100	98.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 800 yen per share and at 134.70 yen per dollar. Fees 2.5%.
Ryosan	\$150	1993	open	100	97.50	Coupon indicated at 4 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set July 14.
Sony Special Steel	\$100	1993	4 1/4	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 856 yen per share and at 134.70 yen per dollar. Fees 2.5%.
Sekisui Plastics	\$ 50	1993	open	100	97.50	Coupon indicated at 4 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set July 12.
Sumitomo Cement	\$100	1992	open	100	100.00	Coupon indicated at 3 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set July 12.
Telefonica de Espana	\$200	2003	4	100	103.75	Redeemable at 125.70 in 1993 to yield 8.35%. Convertible at 1,130 pesetas per share, at 15.40% premium, and at 121,401 pesetas per dollar. Fees 2.5%. Denominations \$10,000.
Tokai	\$ 50	1993	4 1/4	100	97.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 1,024 yen per share and at 133.50 yen per dollar. Fees 2.5%.
Toyo Tire & Rubber	\$100	1993	open	100	97.50	Coupon indicated at 4 1/4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set July 11.
Vishay Interotechnology	\$ 50	2003	open	100	—	Coupon indicated at 4 1/4 to 5%. Redeemable in 1995 to yield 1/4 over comparably-rated U.S. Treasury notes. Convertible at an expected 10 to 12% premium. Fees 2.5%. Terms to be set July 14.
Yasuda Trust & Banking	\$100	2003	open	100	99.00	Semiannual coupon indicated at 2 1/4%. Callable at 103 in 1993. Convertible at an expected 3% premium. Fees 2.5%. Terms to be set July 15.
Compagnie Generale des Etablissements Michelin	FF 1,500	1998	6	100	101.88	Callable at 107 in 1992. Convertible at 260,416 francs per share, at 17.2% premium. Fees 2.5%.
TNT Pacific Finance	Aus\$ 175	1998	9	100	—	Callable at par in 1993. Convertible at Aus\$50 per share. Fees 2.5%. Increased from Aus\$150 million.

International Loans Set Record, but Rate of Growth Slows

By Carl Gewirtz
International Herald Tribune

PARIS — The good news for the international credit market is that the volume of business in the first half of this year set a record, indicating the market has fully recovered from the damage inflicted by the outbreak of the Latin American debt crisis in 1982. The bad news is that the rate of expansion has slowed markedly.

The volume of first-half activity loans was \$38 billion, the Organization for Economic Cooperation and Development reported last week.

The previous record was set in 1982, when \$33 billion was lent in the first half. The onset of the debt crisis that summer, when Mexico announced it could not service its

debt and sought a rescheduling, sent the market into a tailspin from which it began to recover only in late 1986.

The first-half volume in 1986 was \$28.3 billion, and in subsequent half years, volume expanded 20, 23 and 26 percent.

INTERNATIONAL CREDIT

Activity in the market last week, reflecting the traditional summer slowdown, was focused on the business about to come.

This will include the financing to support the \$600 million (\$1 billion) buyout of Reed International Britain and a refinancing of the \$170 million bridge loan to France's SEB to purchase Rowenta

banks, forcing them to pay greater attention to the profitability of business they put on their books.

This no doubt also accounts for the slowdown in activity on the market for note issuance and other back-up facilities. The volume in this sector totaled \$16.5 billion in the first half, still well above the \$11.8 billion recorded in the year earlier period but below the record \$19.4 billion of last year's second half.

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This will include the financing to support the \$600 million (\$1 billion) buyout of Reed International Britain and a refinancing of the \$170 million bridge loan to France's SEB to purchase Rowenta

of West Germany from its U.S. parent, Chicago Pacific.

Banque Paribas d'Algerie has named Gulf International Bank to arrange a \$100 million, seven-year loan that will carry a margin of 1/2 point over the London interbank offered rate. The loan will be one year shorter than the previous Algerian borrowing in January, the grace period of four years also will be one year less and the overall yield to lenders, including what is described as "rich" front-end fees, will be about 1/4 point higher than the last loan.

In part this reflects the credit situation in Algeria, and in part it reflects the government's willingness to be generous, since the actual cost to Algeria will be much lower because Algeria will be selling an option to convert the loan

into a currency other than the dollar.

Details were announced last week on the \$150 million, eight-year loan for the Public Power Corp. of Greece. It will pay 1/2 point over Libor for the first six years and 1/4 point over thereafter. Last week, the split between the two margins was reported to be after four years.

Petrofina, the Belgian oil, gas and chemical company, and its subsidiary Mafina will each be tapping the medium-term note market for up to \$500 million. Merrill Lynch is arranging the program and additional dealers are Credit Suisse First Boston and S.G. Warburg.

Medium-term notes, having a maturity of up to three years, are no different from Eurobonds. But in the bond market, the issuers would have less flexibility. The issuers of medium term notes can choose their timing on when to issue — tapping paper into the market as conditions suit them — and are not obliged to issue in large amounts in order to attract institutional investors as would be necessary in the bond market.

Creditanstalt of Austria will also be tapping the market for up to \$500 million through the sale of commercial paper and medium-term notes.

EUROBONDS: Good News for the Dollar Could Be Bad for the Market

(Continued from first finance page)

needed hand, since a strong dollar at the moment serves a useful political purpose of helping to hold down inflation, by lowering import costs, in the run-up to the November election.

Analysis at Commerzbank in Frankfurt worried that good trade numbers and ineffective intervention could propel the dollar to 1.90 DM, a level not seen since early 1987.

Last week, the dollar was boosted by the drop in the U.S. unemployment rate. That was read as a signal that the Fed would be obliged to raise domestic interest rates to cool the pace of economic growth, thus making the dollar even more attractive.

But the possibility of higher interest rates was bad news for the bond market.

In the Eurobond market, two sovereign issues attracted attention: Italy's \$1 billion of five-year notes and Denmark's \$600 million of three-year paper. The relatively short maturities and the pickup in yield over U.S. Treasury paper, 53 basis points for Italy and 56 for Denmark, were considered attractive by central banks.

What intrigued professionals was whether, and how, the launch-

ing of the issues were related. Credit Suisse First Boston was lead manager of both.

As classic swaps from fixed-rate to floating-rate financing, professionals say, Denmark could have achieved a floating-rate cost of 10 to 12 basis points below the London interbank offered rate, the international wholesale cost to borrow short-term funds. For Italy, the rate is estimated at 15 basis points below Libor.

Denmark is notorious among market professionals for being yield-hungry and averse to risk.

"What they want," said one dealmaker, "is plain-vanilla Libor at minus numbers. When they get a number that turns them on, bang, they do a deal. They are notorious for being very cynical about hitting bids that suit them. But they never ever take risks. They never give options, they never take currency risks or give interest rate puts."

Denmark reportedly swapped the proceeds of its issue into floating-rate Deutsche marks at an eye-popping 45 basis points below Libor. Italy is reported to have swapped into a mixture of floating-rate marks and dollars at a cost of 40 basis points below Libor.

"The difference between what the issues themselves are worth as

straight swap — 15 basis points below Libor for Italy, 10 basis points below Libor for Denmark — and what they are believed to have actually ended up with means something's been added," said the dealmaker.

"It's a reasonable conclusion for anybody to draw that you don't get money for nothing. You get money by taking some measured risk."

Bankers were unwilling to discuss details of these risks, or options, believing that only a few issuing houses — CSFB, Morgan Stanley, J.P. Morgan and Paribas are the names cited — have yet figured out how to structure such deals.

With no details available, but knowing Denmark's aversion to risk-taking, the dealmaker said: "The additional risk is believed to be on the Italian side. That's what produces the arbitrage that brings these deals up from their natural Libor minus a handful, to Libor minus a fairly interesting number."

The contentious part of this assessment is that Italy was content with its Libor minus 40 but that the options were actually worth more, enabling CSFB to offer terms to Denmark that it could not refuse.

"Hogwash!" countered a CSFB official, who asked not to be

named. He said that there were four swap counterparties to the Italian issue and three counterparties to Denmark's and that there were "no options of any kind at any stage."

Asked how the issuers could achieve the substantial below-Libor cost of money, the official said "that information is very proprietary. People are making assumptions about the way issues are connected which are completely fallacious and fictitious."

Gains Foreseen On Polish Debt

Reuters

WARSAW — Poland could start fully servicing its foreign debt of more than \$39 billion by the end of 1991 provided exports continue to grow, according to the National Bank president, Wladyslaw Baka.

Mr. Baka, who was put in charge of the country's economic reform program in June, also said Saturday that he would follow a tight-money policy to combat inflation. Some economists have predicted that the inflation rate in Poland will exceed 60 percent by the end of the year.

Treasury Bonds

Maturity	Close	Ask	Yield	July 8
31.12.89	99 1/2	99 3/4	8.24	7.96
15.05.91	99 1/2	99 1/2	8.27	8.11
31.12.91	99	99 3/4	8.54	8.25
15.02.92	100 1/2	100 1/2	8.65	8.38
15.01.95	97 1/2	97 1/2	8.89	8.80
15.05.98	99 3/4	99 3/4	9.04	8.75
15.02.98	101 1/2	101 1/2	9.24	8.95
15.05.98	100 1/2	100 1/2	9.10	8.82

Source: Salomon Inc.

U.S. Consumer Rates

Index	July 8
Tax Exempt Bonds	7.75%
Money Market Funds	8.51%
Money Market Accounts	8.51%
Bank Money Market Accounts	8.51%
Bank Rate Monitor Index	5.26%
Home Mortgages, FHLM average	10.34%

Source: New York Times.

Concede

...ing him ahead with 38.8 percent of the vote, followed by the... with 32.7 percent and... with 25.2 percent.

How many of Mexico's 38 million registered voters actually voted is not yet known.

Until then, Mr. Cardenas has issued only preliminary data that showed him leading but stopped shy of proclaiming victory. He responded to a question, he said he was not declaring himself president because it was up to the Federal Electoral Commission to do so.

The confusion over who had won the election deepened Friday when the Federal Electoral Commission canceled all further scheduled meetings and said no election results would be announced until Sunday.

The Institutional Revolutionary Party has won every presidential election since coming to power in 1929, and has never lost a municipal or gubernatorial race. Officials acknowledged that the party had lost in Mexico City and four nearby states, and that the opposition was certain to win a handful of seats in the Senate and substantially increase its presence in the lower house.

Faced with unprecedented state-level losses in the presidential elections and a new federal legislature, a major faction of the Institutional Revolutionary Party on Saturday demanded a recount of the presidential vote in Mexico City, the country's largest electoral base.

Mr. Cardenas called the move "very grave" and vowed to fight it legally.

Arab Unrest Enters 8th Month, 3 Die

Jerusalem — A Palestinian was shot to death in a clash with Israeli troops on Sunday, and a weekend general strike paralyzed the occupied West Bank and the Strip. The death was the third in three days.

The stepped-up Palestinian unrest followed a call from underground Arab leaders for peace and for businesses to shut down to mark the start of the eighth month of a Palestinian uprising against Israeli rule.

A spokesman for al-Iktida in Nablus said Zuhir al-Sour Zuhir, 17, died after being shot in the legs at a demonstration Sunday in the Askar refugee camp.

An army patrol was attacked about a dozen youngsters threw stones, an army spokesman said. "The soldiers opened fire and it was endangered."

Soldiers confined residents to their homes after the attack. They also declared parts of West Bank "closed military zones" which prevented entry to journalists.

Troops shot and killed the old man in the Jabal al-Ram camp in the Gaza Strip on Saturday, and a 22-year-old died in a clash between stone-throwing soldiers near Nablus on Friday.

The army also said it had destroyed five houses of Palestinians living in the Gaza Strip who were suspected of preparing a list of fire bombs at army posts trying to shoot or stab troops.

The army says a lower-level member of the PLO was arrested on Friday in a separate operation from carrying out similar tasks.

At least 200 Palestinians and four Israelis have died in the uprising, which began Dec. 9. Schools, shops and mosques were shuttered for a second day Sunday across the West Bank and Gaza Strip. Arab-owned and operated stores and banks were closed, and many shops were closed. The army brought buses to the Strip to take an estimated 100,000 Palestinians to work in Israel.

ISRAEL Sale Is Protest

(Continued from page 1)

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Inflation Fears Hit U.S. Bond Prices

Compiled by Our Staff From Dispatches

NEW YORK — Prices of U.S. Treasury securities took a downturn at the end of last week on the stronger than expected employment data for June, which sparked renewed fears of higher interest rates and inflation.

The Labor Department reported Friday that the June civilian unemployment rate dropped sharply to 5.3 percent, the lowest level in 14 years. Nonfarm payrolls rose by 346,000, "which shows an exceptionally strong economy," said Lawrence Morris, a senior vice president of Butcher & Singer Inc. in Philadelphia.

Mr. Morris said there will be "a lot of anxiety" in the near term because of the drought in key U.S. corn-producing areas and fears of higher inflation, a prime rate increase is likely, "maybe in the next two weeks."

Shearson Lehman Hutton Inc.'s index of long-term Treasury bonds fell 30.05 points on the week to 1,223.77. The index stood at 1,253.82 the previous Friday.

The 9.125 percent bellwether 30-year Treasury bonds that mature in the year 2018 ended Friday at

about 100 1/4, down from 103 the week before. In the intermediate-term government sector, prices for the latest 10-year issues were trading at 99 23/32, down from 101 15/32.

The prospect that the Federal Reserve Board may be less accommodating in supplying reserves, or may even tighten credit as a means of cooling the economy, also produced sharp gains in the discount rates of Treasury bills.

The bills are one of the few areas of the government securities market where the Fed can exercise a large measure of control.

As a result, the discount rate on the 90-day bills soared 11 basis points, to 6.66 percent and the returns on six-month bills advanced 24 basis points, to 6.98 percent.

Robert G. Dederick, chief economist at Northern Trust Co., Chicago, said: "Given the market's belief that the Fed is about to gently tighten credit for the fifth time since March, many of us were surprised that the Fed was so aggressive in adding reserves as well as in the manner in which it chose to do so today."

Mr. Morris noted that bond market activity prior to Friday was dominated by two forces: the dollar and the Commodities Research Bureau index.

"As the dollar rose above 135 yen, the bond market got much stronger," he said. But as central banks intervened and the dollar eased against the yen, the bond market followed suit. The commodities index was down much of the week.

Friday, the Fed indirectly added \$3 billion of temporary reserves to the banking system through repurchase agreements on behalf of its customers, usually other central banks. This customer repurchase agreement operation was the largest since last Sept. 28.

At

WORLD STOCKS IN REVIEW / Via Agence France-Presse

Amsterdam

The market remained buoyant as the shooting down of an Iranian airliner by U.S. forces in the Gulf, the dollar's drift for much of the week and a decline on Wall Street made a difference on sentiment. The ANP-CBS general share index rose 6.7 points on the week to close at 269.5.

The banking sector, in which credit volume and interest margins are developing satisfactorily, led the upward trend. The brokerage, Kempen & Co., said a negative technical reaction is likely soon, following the gains of recent weeks.

Frankfurt

The market had a good week with the Commerzbank index rising to 1,507.3 from 1,459.6 in the previous week.

Analysts said the rise was prompted by reports of improved corporate earnings; the increase in the Bundesbank's discount rate to 3 percent the previous week; and the dollar's recent strength. They expect the trend to continue this week.

Autos, chemicals and department stores firmed, while banking stocks were selectively higher.

Nordorf, the computer maker, closed the week at 458.50 DM, down from 474 the previous Friday, following management forecasts of poor or nil profit this year.

Volume on the eight West German exchanges totaled 22.66 billion DM, up from 17.3 billion the previous week.

Hong Kong

The Hang Seng index, the key market barometer, jumped 68.26 points on the week to finish at 2,752.90, while the broader-based Hong Kong Index gained 43.30 points to end at 1,819.72. The previous week, the Hang Seng had lost 22.92 points.

The Hang Seng gained 55.60 points Wednesday and 22.12 Thursday, when it reached 2,759.63, its highest level since October stock market collapse. Profit-taking brought a retreat Friday.

Average daily turnover, at 1.07 billion Hong Kong dollars, was little changed from the previous week.

London

Indexes moved irregularly over the week but closed sharply higher on a late recovery in demand. The Financial Times industrial index ended 22.6 points higher on the week at 1,506.8.

Prices weakened Monday following the fifth consecutive increase in British interest rates. The shooting down of the Iranian airliner also dampened sentiment.

The market recovered at mid-week, helped by strong bond markets and a firmer pound.

Takeover activity also aided the advance. Shares of Harris Queensway, the chain-store operator, rose strongly after announcement of a £450 million bid by the Lowndes Group. Other store stocks benefited.

Blue Circle, the cement manufacturer, was in demand following

speculation that Hanson Trust might launch a bid. Among stocks, Jaguar moved ahead on rumors of stake-building by Ford. In the insurance sector, Legal and General shares forged ahead following rumors that Lloyds Bank was buying its stock.

Milan

The market dipped on the week, with the Comit index finishing at 509.51, against the previous Friday's 512.46. Volume rose to a daily average 145 billion lire from 140 billion lire the previous week.

Montedison rose 2.5 percent on the week. Dow Chemical of the United States bought more Montedison shares during the week, bringing its holding to 3.88 percent, dealers said.

Feruzzi Agricola dropped by 2.52 percent, and Iniziativa Meta was down about the same.

Paris

Prices firmed, returning the CAC index to near the level reached before the October collapse. It closed the week at 368.5, up from 358.7 the previous Friday.

Operators noted that the Bourse has paid little attention to international events, though Friday's announcement of a fall in U.S. unemployment raised fears of a rise in interest rates.

Trading is likely to be light in the near future because of the vacation season, analysts said.

Singapore

Problems with a new computerized trading system disturbed trading last week. The Straits Times Industrial Index finished the week at 1,093.67 points, down 11.74.

Volume plunged Friday as operators grappled with the new floor trading system introduced that day. Trading was interrupted severally by computer failures, and officials extended trading by an hour.

Volume for the week was just over 201 million shares, well down from the previous week's 289.3 million.

Tokyo

The market rallied as the dollar appeared to be stabilizing, dispelling fears of inflation.

The key indicator, the Nikkei average, closed the week Friday at 27,917.08 for a gain of 554.56 points, having lost 193.69 points the week before. The market was closed Saturday.

Prices firmed Tuesday and Wednesday as institutional investors returned to the market.

On Wednesday, volume soared to 2.81 billion shares, almost matching the single-day record of 2.83 billion on Mar. 27 last year. For the week, however, volume averaged 1.76 billion shares against the previous week's 2 billion.

Analysts anticipated a bullish tone for this week.

Zurich

The market gained moderately, consolidating the recovery of the previous three weeks. The Credit Suisse index closed at 475 points, against 468.6 the previous Friday.

Chemicals were strong, with Sandox beater stock rising 500 Swiss francs to 12,500. Union Bank of Switzerland gained 25 Swiss francs to 3,350, while Swiss Corp. added 23 to 383.

Siemens Sees Profit Growth For This Year

Reuters

MADRID—The managing board chairman of Siemens AG said Sunday that the group expected net profit in the 1987-88 financial year, to Sept. 30, probably would exceed the 1.28 billion Deutsche marks (\$702.6 million) earned in 1986-87.

But the chairman, Karlheinz Kaske, said the West German group would continue cutting its workforce in order to reduce costs.

He said at a news conference that the current year's profit would "very probably" be higher, but he gave no figure.

Mr. Kaske said that incoming orders to end-May rose to 36 billion DM from 33.8 billion DM in the same period of the previous financial year.

Investors Support Spinoff by Sun

Compiled by Our Staff From Dispatches

NEW YORK — Investors and industry experts have reacted favorably to the announcement by the Sun Co. that it will spin off its U.S. oil and gas production.

The spinoff, combined with the announcement last week that Sun plans to buy the refining and marketing operations of the Atlantic Petroleum Co., would fundamentally change the company from a small integrated oil company, with both production and marketing, to a strong refiner and marketer, analysts said.

Sun's stock closed Friday at \$60.50, up \$4.25, in heavy trading on the New York Stock Exchange.

Some analysts said the spinoff exploration company and the restructured Sun have a potential combined value of more than \$70 a share. "It is a very positive step," said analyst Robin Shoemaker of Shearson Lehman Hutton Inc.

"I'm ecstatic," said Kurt H. Wulf of McDep Associates. "I've felt for many years that having refining and marketing with exploration and production in the same

company is deliberately penalizing value in the stock market."

The plan, which would result in the elimination of more than 1,000 jobs, requires stockholders approval. If approved, shareholders would get one share of the new company for each of their current shares.

Sun's chairman, Robert McClements Jr., said a soft short-term outlook for crude oil prices was one of the main reasons for the spinoff. He said the proposal should result in improved operating performance for the exploration and production unit and improved financial performance at the parent company.

Mr. McClements added that Sun will hold onto its London-based international exploration and production unit.

The chairman and chief executive of the new company, the Sun Exploration and Production Co., would be Robert P. Humphreys, who is now president and chief operating officer of Sun. James E. McCormick, now head of exploration and production, would be president and chief operating officer of the new company.

With the Atlantic acquisition, Sun would be refining and marketing about 600,000 barrels a day, with heavy concentrations in New York and Pennsylvania. Production in the United States, the operation that is being spun off, was less than one-fourth that, 130,500 barrels daily in 1987.

Canadian and other foreign production, which the company will retain, was 50,300 barrels a day, but analysts said that the foreign production had the best prospect for growth.

In meetings with analysts, Mr. McClements said that the company was in extended negotiations with three oil-exporting nations for a long-term supply arrangement.

"It's been sort of an open secret that they've been discussing that with Nigeria," said Frank P. Kneutzel, an analyst at Prudential-Bache Securities Inc.

In its announcement Thursday, Sun, based in Radnor, Pennsylvania, also said that it would take a \$300 million after-tax charge in the second quarter to cover the costs of layoffs.

(Reuters, NYT)

JAPAN: Stock Trading Scandal Signals Spread of Political Corruption

(Continued from page 1)

The scandal, which involves a total of 76 investors, could spread this week to other leading media organizations in Tokyo and senior members of at least one opposition party, political sources indicated over the weekend.

The use of financial markets as sources of campaign funds has long been an accepted feature of the Japanese political scene. At the center of this activity are large securities houses, local institutions and investors and groups of speculators, which periodically invite associates of leading politicians and legislators to purchase shares on the basis of inside information.

These shares then become political stocks, according to market experts, and can be held as either long-term investments or short-term speculative plays. In the most apparent cases, prices of political stocks have more than doubled in less than two weeks, these sources said, chiefly due to manipulation by the institution involved.

"These issues have particular appeal because political money would never be allowed to lose," a senior Tokyo share analyst said. "If you can establish that political money is in a stock, you've got a winner."

Trading in unlisted shares, such as those of Recruit Cosmos, is a common alternative, this analyst said, because it is technically legal. But covert fund raising through stocks and convertible bonds, whether legal or illegal, is said by political and financial sources to outweigh above-board fund-raising for most politicians.

Market sources said this use of the market has been a major stumbling block in official efforts to prevent insider trading on the Tokyo Stock Exchange, despite the market's desire to improve its image as an international equities center.

Until recently the appearance of a political stock enabled market observers to anticipate political realignments or the start of an election campaign. But such activity has now become more or less constant, according to several market authorities.

Japanese corporations have complained vociferously in recent months that traditional fund-raising banquets given by the ruling party, which executives are virtually obliged to attend, have become exorbitant. These occasions yielded a record 8.7 billion yen (\$66.9 mil-

lion) in 1986, the most recent year recorded by the government.

In response, factions of the Liberal Democratic Party agreed recently not to hold fund raisers as of next January and are believed to have placed more emphasis on stock market activities as an alternative.

The Recruit Cosmos scandal has aroused public opinion, local analysts said, not because fund raising in the markets is frowned upon but because the amounts involved are viewed as excessive. Increasingly, politicians are seen publicly as motivated by greed in an environment of sharply rising affluence and "easy money," a perception that is fed, analysts said, by an apparent lack of remorse on the part of Mr. Takeshita and members of his cabinet.

It remains unclear how the controversy will affect Mr. Takeshita's plans to enact tax reforms by the end of this year. Although he is now viewed as highly vulnerable to political pressure, any involvement of opposition leaders in the scandal would almost certainly blunt legislative criticism of the ruling party's program, analysts said.

BEER: Dry Beer Whets Appetites

(Continued from first finance page)

Steinman, publisher of Beer Marketer's Insights in West Nyack, New York. "As long as dry beer is only being marketed by the Japanese, it's really insignificant. A lot of yuppies will try it, but the country is not filled with yuppies."

He acknowledged, though, that an American producer might succeed with a dry beer at some point.

While presumably watching the situation closely, most American brewers declined to comment on their plans.

The Miller Brewing Co., however, is already conducting market research on dry products, according to Alan Easton, Miller's vice president, corporate affairs.

"The mainstream American taste is for a sweeter beer than that produced by the Japanese or the Europeans," Mr. Easton said. "In a flat market such as ours, you need a product difference to gain share, but we're not sure this is an acceptable product difference."

Not all segments of the American beer market are flat, of course. Imports have grown 105 percent since 1980.

"It's just hype so far," said Jerry Steinman, publisher of Beer Marketer's Insights in West Nyack, New York. "As long as dry beer is only being marketed by the Japanese, it's really insignificant. A lot of yuppies will try it, but the country is not filled with yuppies."

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Wall Street Review

Table with NYSE Most Actives, AMEX Most Actives, NYSE Sales, AMEX Sales, NYSE Diaries, AMEX Diaries. Includes columns for stock symbols, prices, and volume.

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Table with columns for stock symbols, prices, and volume. Includes sub-sections for (Continued) and various stock listings.

Table with columns for stock symbols, prices, and volume. Includes sub-sections for various stock listings.

American Exchange Options

Table with columns for Option & price, Calls, Puts, and various stock symbols. Includes sub-sections for Jul, Aug, and Sep.

Chicago Exchange Options

Table with columns for Option & price, Calls, Puts, and various stock symbols. Includes sub-sections for Jul, Aug, and Sep.

MONDAY SPORTS

U.S. Pro Soccer Loses 2 More Teams

Compiled by Our Staff From Dispatches
CHICAGO — The Chicago Sting, oldest professional soccer franchise in the United States, has become the fourth Major Indoor Soccer League franchise to fold since the season's end.

The MISA, the only remaining U.S. soccer league of any stature, was reduced to seven teams with the demise Friday of the Chicago Sting and also of the Tacoma Stars. Teams in St. Louis and Minnesota folded last month.

The announcement of the Sting's demise came only four days after the United States was awarded the 1994 World Cup.

The San Diego Sockers are on the verge of going under after the team's principal owner withdrew his offer to take the club out of bankruptcy proceedings after Tacoma and Chicago folded.

Bill Kentling, the MISA commissioner, said the league would begin discussions next week on its future. He said the announcements were "a major setback for us."

The Sting, 23-29 last year, has been suffering from flagging attendance for the past two years. The team has been a consistent money-losing proposition, despite an aggressive marketing effort.

The Sting had been a member of the MISA since 1984, when the outdoor North American Soccer League ceased operations. Before that the club played both indoor and outdoor soccer as a member of the NASL since 1975, and won the outdoor league championships in 1981 and 1984.

Lee Stern, chairman and majority owner of the Sting, said, "The possibility of the Sting returning to outdoor soccer as part of the U.S. Soccer Federation's World Cup efforts is indeed a possibility."

U.S. Bankruptcy Judge Peter Bowie granted the Sockers at least another 48 hours of life Friday by issuing a preliminary injunction barring the MISA from terminating the franchise for failing to post the letter of credit.

The loss of the four, and possibly five, teams is the most the league has ever absorbed in one year. The league lost three teams after the 1981-82 season and again after 1983-84.

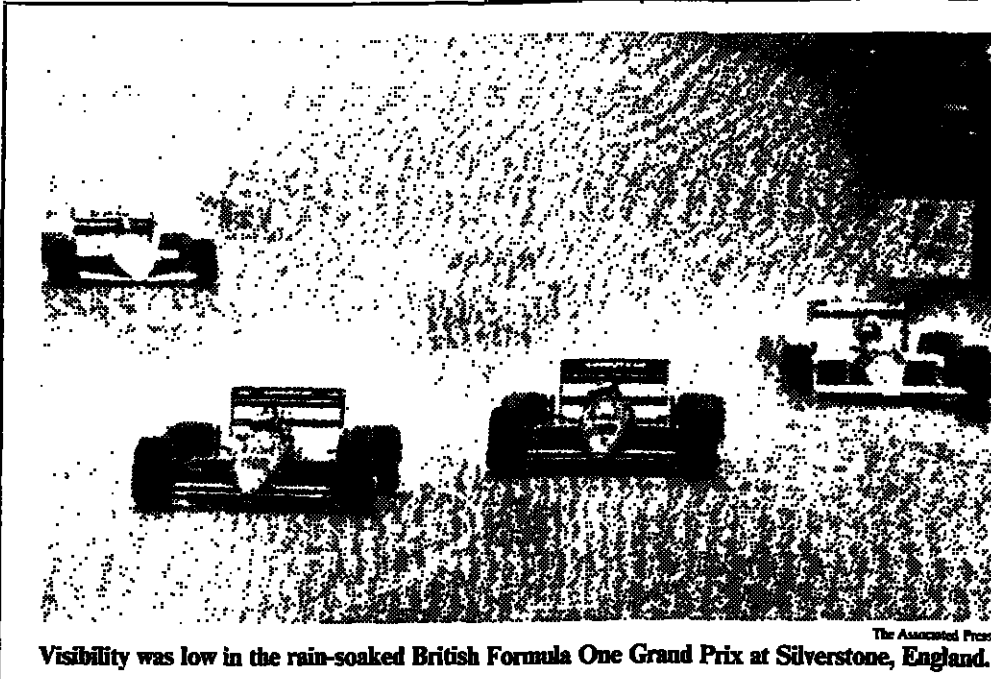
The league has been ailing since mid-February, when it announced it needed a reduction of the salary cap from \$1.275 million to

\$898,000 or it would go out of business. The players' union and the MISA agreed to a \$900,000 cap five minutes before a owner-imposed deadline on April 15.

Should the league fold, the only soccer leagues left in the country would be the low-budget American Soccer League and Western Soccer Alliance.

The U.S. Soccer Federation said Thursday it hoped to form three tiers of outdoor soccer leagues but the format would not be in place until the early 1990s. The matter is to be voted on July 28-30 in Philadelphia. (AP, UPI)

U.S. Defeat in France
 Matra Racing, a French first division team, defeated the U.S. team, 6-0, in a friendly match Saturday, Agence France-Presse reported from Paris.



Visibility was low in the rain-soaked British Formula One Grand Prix at Silverstone, England.

Senna Wins U.K. Grand Prix

SILVERSTONE, England — Ayrton Senna of Brazil piloted his McLaren to victory in the British Formula One Grand Prix Sunday, clocking one hour, 33 minutes, 16.367 seconds on a rain-soaked track.

The home favorite, Nigel Mansell, was second in his first finish of the season.

Senna who started from the second row of the grid alongside his teammate, Alain Prost of France, never looked threatened once he had passed the pole position man, Gerhard Berger of Austria, on the 14th lap.

Berger, in his Ferrari, was second until the midway point of the 65 lap, 192.985 mile (310.57 kilometer) race, when he began to drop back.

At the same time, Mansell began a charge that culminated in his fastest lap of the race, 1:23.308 on the 48th lap. He finished in 1:33.39.711.

It was the highest finish for a car powered by an atmospheric engine, and the home victory went some way toward relieving Mansell's disappointment at his dismal season.

"Being second at my home Grand Prix is very

satisfying," Mansell said. "Obviously I'm delighted for the team."

Alessandro Nannini, in a Ford-powered Benetton, was third in 1:34.07.581, the highest placing of his career. Brazil's Mauricio Gugelmin in a March claimed the first world championship points of his career with a fourth place, clocking 1:34.22.745, and compatriot Nelson Piquet, the world champion, got two points for his fifth place in a Lotus.

Piquet finished in 1:34.37.202, the last man on the same lap as Senna.

The victory moved Senna nearer to Prost in the standings, with 48 points. The Frenchman, who has 54 points after four victories and six second places, retired early with clutch problems, admitting he didn't like driving in the rain.

"The car was not doing too well anyway," Prost said. "So I stopped. I did not want to take risks today. Everyone does what they want with their car and with their life. Today I decided to stop."

Berger stayed in third place in the title chase with 21 points, followed by Piquet with 15. Berger's Ferrari teammate Michele Alboreto with 13, and Belgian Thierry Boutsen in a Benetton on 11.

Developer Trump Says He'll Be Adviser to Tyson

By Phil Berger
New York Times Service
CONCORD, California — Donald Trump says he will act as an adviser to Mike Tyson, the heavyweight champion, on business and boxing matters. The real estate developer is also aligning himself with Tyson in the dispute with Bill Cayton, Tyson's manager.



Mike Tyson

knocked out Michael Spinks at Convention Hall in Atlantic City, New Jersey, Cayton was formally notified of a suit seeking to end his four-year contract with Tyson, which is to run until February 1992. The fight was sponsored by Trump and held adjacent to one of his casinos.

Since then, two court hearings on the case have been canceled while the sides have tried to resolve the dispute.

Cayton would not comment on Trump's remarks. He stood firm on the issue of his contract with Tyson.

"There will be no compromise of any kind, no concessions," he said. "My contracts are fully enforceable and will be enforced. There have been overtures from Winston for settlement, but I'm not going any further on them. There will be no settlement."

The next court hearing is scheduled for July 19.

"I feel Mike Tyson's lawsuit is a very good one," Trump said. "The contract is onerous and unfair."

"If Mike knew Jim Jacobs was not going to be around, that he was terminally ill, I don't believe he'd have signed the present contract. His relationship was with Jim Jacobs, not Bill Cayton."

Trump said he first became aware of Tyson's desire to involve



Donald Trump

him in his business matters the day before the Spinks bout.

"I want to see him and wish him luck," said Trump. "And he mentioned to me, 'Mr. Trump, I'd like to see you after the fight.'"

Questions about Tyson's future became clouded when the fighter announced at the press conference after the Spinks fight that he planned to retire. He reiterated that in the following days.

SIDELINES

Lane Wins Scottish Golf by 3 Strokes

GLENEAGLES, Scotland (Combined Dispatches) — Barry Lane of England shot a 3-under-par 68 Saturday to capture the Scottish Open here, his first major victory on the European Tour. Lane, 28, finished at 13-under 271, three strokes ahead of Sandy Lyle of Scotland, the U.S. Masters champion, who shot two birdies and an eagle on the last five holes, and Jose Rivero of Spain.

Roger Chapman of England shot a 72 for third place at 275, and Peter Fowler of Australia finished a stroke back.

3 Share 3d-Round Lead in U.S. Golf

WILLIAMSBOURG, Virginia (UPI) — Peter Jacobson scored an eagle on the third hole Saturday to earn a share of the one-stroke lead with Kenny Knox and Tom Sieckmann after three rounds at the Anheuser-Busch Golf Classic here.

Jacobson fired a 2-under-par 69 to stand at 12-under 201. Knox shot a 65, while Sieckmann posted a 66. Mark Wiebe, the 1985 Anheuser-Busch champion, shot a 64 and was one back at 202.

Bubka Batters World Pole Vault Mark

NICE, France (UPI) — Sergei Bubka of the Soviet Union broke his own world record with a performance of 6.06 meters (19 feet, 10 1/2 inches) in the pole vault Sunday at the Nikea Grand Prix track meet here.

Bubka set the previous record of 6.05 meters on June 9 at a meet in Bratislava, Czechoslovakia. Bubka, who has broken the world record nine times in four years, cleared 5.70 meters and 5.86 meters Sunday before making his first attempt at 6.06. He then missed three attempts at 6.30 meters.

For the Record

Gabrielle Reinsch of East Germany set a world record in the women's discus with a throw of 76.80 meters (251.9 feet) Saturday in Berlin, bettering the old mark by more than two meters.

Evoeone Goolagong Cawley of Australia, a two-time Wimbledon champion and four-time Australian Open champion, was inducted Saturday into the International Tennis Hall of Fame in Newport, Rhode Island. (AP)

ACROSS

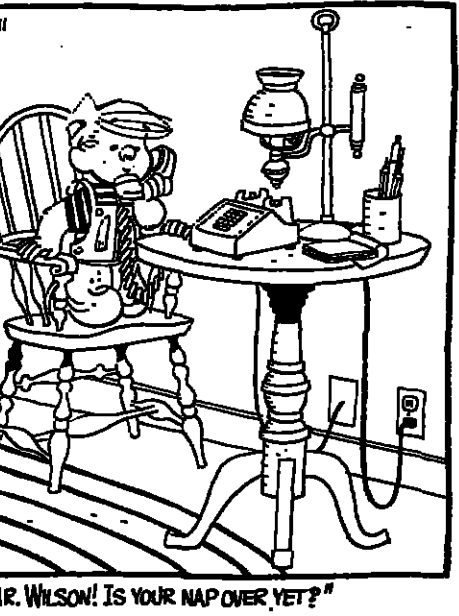
- 1 Word of regret
- 5 Peacock in the sky
- 9 Distort
- 13 Big cat
- 14 Domesticated
- 15 Finished
- 16 Post Pound
- 17 Coeur d'—
- 18 Idaho
- 19 "Spitsville"
- 20 Slogans
- 21 Twerp's cousin
- 22 Munro pen name
- 23 Japanese emigrant to the U.S.
- 25 Typical De Millie film
- 26 Precincts
- 31 Turf
- 34 Transfer design
- 36 Fall flower
- 38 Upon
- 40 Kind of colony
- 42 Volume
- 43 Havana product
- 45 Feasts
- 46 First word of "Home, Sweet Home"
- 48 Composer
- 50 Frank
- 51 The Queen of
- 53 One-third of thrice
- 57 Flourished
- 60 Rallying cries
- 64 Prefix with plane
- 65 Cover-up name
- 68 Change the décor
- 67 Two of a kind
- 68 Leghorns' lodgings
- 69 Post
- 70 Raced
- 71 Anagram for node
- 72 A Peter Pan foe

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WEATHER

EUROPE			ASIA			NORTH AMERICA		
City	High	Low	City	High	Low	City	High	Low
Amsterdam	24	18	Bangkok	32	27	Atlanta	86	72
Berlin	22	15	Beijing	32	27	Boston	86	72
London	22	15	Hong Kong	32	27	Chicago	86	72
Paris	22	15	Manila	32	27	Denver	86	72
Rome	22	15	New Delhi	32	27	Detroit	86	72
Madrid	22	15	Singapore	32	27	Houston	86	72
Stockholm	22	15	Taipei	32	27	Los Angeles	86	72
Warsaw	22	15	Tokyo	32	27	Minneapolis	86	72
Zurich	22	15	Seoul	32	27	New York	86	72
			Singapore	32	27	San Francisco	86	72
			Taipei	32	27	Seattle	86	72
			Tokyo	32	27	Washington	86	72
						Portland	86	72
						Phoenix	86	72
						Salt Lake City	86	72
						San Diego	86	72
						San Jose	86	72
						St. Louis	86	72
						Tempe	86	72
						Yonkers	86	72

DENNIS THE MENACE



JUMBLE

Unscramble these four Jumbles. One letter to each square, to form four ordinary words.

ACNIP
 ESOLO
 LATHEC
 KOUNOH

Print answer here: THE _____

Answers tomorrow

Friday's Jumble: DAISY AWARD DITHER FABLED
 Answer: Which side of the fire is the hottest? — THE FIRE SIDE

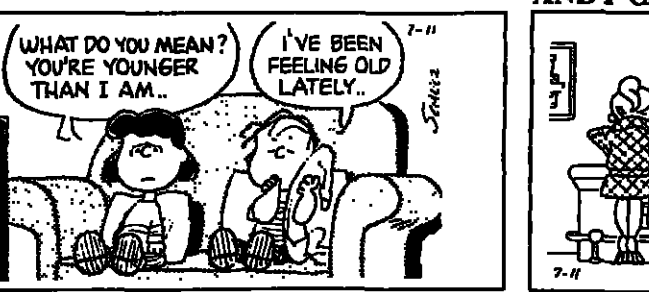
DOWN

- 1 Pianist
- 2 Tompkins
- 3 Doolittle and Minnelli
- 4 Corpeal channel
- 5 Light meal
- 6 Melting-pot goal
- 7 Sells
- 8 Ukrainian city
- 9 Most talkative
- 10 Claim confidently
- 11 Italian painter: 1575-1642
- 12 Support
- 14 Marble
- 20 Hastened
- 24 Historic period
- 25 Vim
- 27 Chilled
- 28 Righty mite
- 30 Hair: prefix
- 31 Black Hawk was one
- 32 Auctorial
- 33 Venetian ruler
- 35 Path
- 37 Embarrassed lodgings
- 39 Countersign
- 41 Meadow
- 44 Short cheer
- 46 Street sign
- 49 Bounty
- 52 Bear in Kipling tales
- 54 Standards
- 55 Peaches and
- 56 Cantor or
- 57 Murphy
- 58 Harvest
- 59 Clinton's canal
- 61 Something tried in a court
- 62 F.D.R.'s successor
- 63 Underfoot item

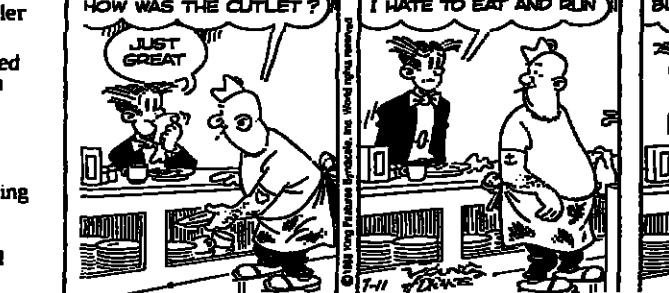
PEANUTS



ANDY CAPP



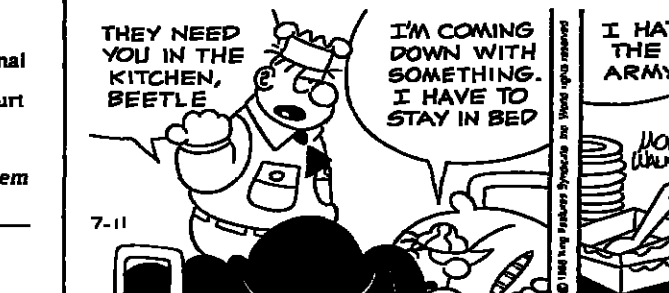
BLONDIE



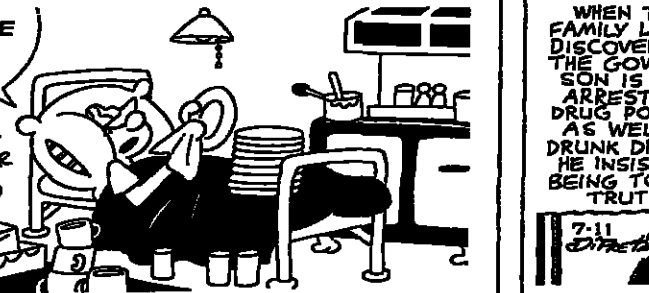
WIZARD OF ID



BEEBLE BAILEY



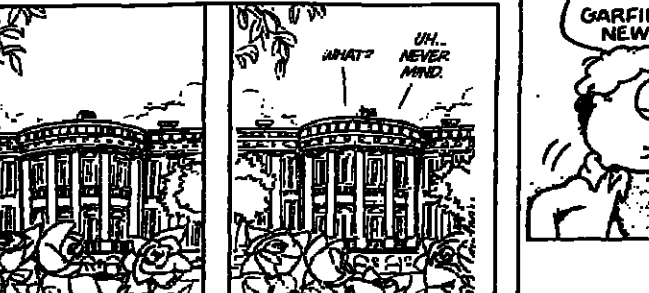
REX MORGAN



DOONESBURY

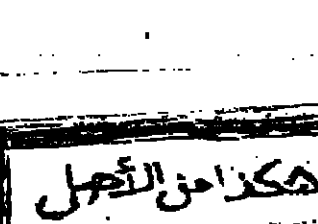


GARFIELD



Solution to Friday's Puzzle

ALPS WHAM HARK
 KEEP REFER ALOE
 IDEA ORATE MODE
 NARRATOR DAMPEN
 TIED PAGE
 STAR SALERNO
 YARN SPINNER ACE
 ALAS AROAR CHITE
 PAID STORVETTER
 DESTLE COLA
 TOES COLA
 RENOV ROMANCER
 AVER GARDEN SALE
 SIRE GARDEN ERAS
 PLOD MESS RENT



Midseas
 All the Stars
 Be Out in C

Thomas Boswell
 No matter
 even in Wade Boggs
 the Terry Steinbach
 the Oakland catcher and the
 the worst-chosen baseball all
 in history.

He has a record here
 in the past few years. He
 has been named Steinbach a
 the worst all-star starter.

Steinbach is just the
 point for this midsummer
 review. He has had to
 the American League team's
 and got almost half of them
 in the past few years. He
 has been named Steinbach a
 the worst all-star starter.

On the whole, however, fans
 who appreciate this year in their
 history. It's not much about
 the supposed pros.
 It is Kelly who really gets
 the job done. He should know
 better. He has to find out
 what he is doing. Kelly's
 and sometimes performance
 seems deliberate to make
 use of the narrow half-season
 statistics to pick the likes of
 The Lumber, Jeff Russell and
 Doug Jones over Hall of Fame
 candidates such as Bob Boone and
 Tony John.

Whenever Kelly takes a
 Harold Reynolds, Ozzie Guillen or
 Doyle Alexander, he does it at the
 expense of more important players
 including Joe Carter, Mark Langston
 (three straight titles in four
 years), Charlie Hough (1984) and
 Eric Carter (1985). Kelly's
 last bid, Steve Greenwald, is a
 bad bid. We can't find a better

FRIDAY'S GAME
 AMERICAN LEAGUE
 Boston Red Sox
 New York Yankees
 Toronto Blue Jays
 Baltimore Orioles
 Detroit Tigers
 Cleveland Indians
 Chicago White Sox
 Kansas City Royals
 Minnesota Twins
 Oakland Athletics
 Seattle Mariners
 Texas Rangers
 California Angels
 Los Angeles Angels
 Los Angeles Dodgers
 San Diego Padres
 San Francisco Giants
 San Jose Sharks
 St. Louis Cardinals
 Pittsburgh Pirates
 Cincinnati Reds
 Milwaukee Brewers
 Montreal Expos
 Philadelphia Phillies
 Washington Nationals
 Florida Marlins
 Atlanta Braves
 New York Mets
 Houston Astros
 San Antonio Spurs
 Dallas Mavericks
 Phoenix Suns
 Portland Trail Blazers
 Sacramento Kings
 Utah Jazz
 Golden State Warriors
 Los Angeles Lakers
 Memphis Grizzlies
 New Orleans Hornets
 Orlando Magic
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
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 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
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 Philadelphia 76ers
 Toronto Raptors
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 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
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 Chicago Bulls
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 Indiana Pacers
 Milwaukee Bucks
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 Toronto Raptors
 Washington Wizards
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 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
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 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
 Boston Celtics
 Detroit Pistons
 Chicago Bulls
 Cleveland Cavaliers
 Indiana Pacers
 Milwaukee Bucks
 New York Knicks
 Philadelphia 76ers
 Toronto Raptors
 Washington Wizards
 Charlotte Hornets
 Miami Heat
 New Jersey Nets
 Philadelphia 76ers
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MONDAY SPORTS

It's Midseason Madness: All the Stars Won't Be Out in Cincinnati

By Thomas Boswell
WASHINGTON — No matter what happens in Cincinnati on Tuesday night, even if Wade Boggs gets subpoenaed at home plate, this is going to be the Terry Steinbach-Tom Kelly All-Star Game.

The Oakland catcher and the Minnesota manager are the twin symbols of the weirdest, and perhaps the worst-chosen, baseball all-star teams in history.

First, a word about the soon-to-be immortal Steinbach, who mostly plays backup to starter Ron Hassey for the Athletics.

The sophomore jinx has hit Steinbach hard. He's having an atrocious season: .215 with four homers.

Yet he is the starting catcher for the American League all-star team.

That is what 690,438 votes — the result of a ballot-box stuffing campaign by the fans of Section 119 in the Oakland Coliseum — will do for you.

Actually, those fans, including one who built a board with nails at the proper places to punch out hundreds of pro-A's ballots at once, have earned Steinbach a tiny piece of infamy. He may be remembered as the worst all-star starter in history.

However, Steinbach is just the focal point for this midsummer madness. It is Kelly who has surpassed himself. He had to fill 20 of the American League team's 28 spots and got almost half of them wrong.

Usually, fans get blasted at all-star time for their obvious voting. And, certainly, Oakland fans deserve the raspberry. They also stuffed Mark McGwire into the starting lineup ahead of George Brett and Don Mattingly.

On the whole, however, fans were sophisticated this year in their balloting — let's not nitpick about Paul Molitor as a second baseman — compared to the supposed pros.

It is Kelly who really gets the prize. He should know better. Or have taken the time to find out better. His choices lack any sense of history or romance.

Last, but not least, the choice of Knopper over Nolan Ryan, his most celebrated Astros teammate, who's to say Herzog wouldn't have stumped Mike Scott if he had not been on the disabled list?

The more we relish these two squads, the more it seems that the winner Tuesday night should have to play The Hall of Famers Who Aren't Here the following morning.



Nolan Ryan after defeating the Mets on Saturday to become only the second pitcher to win 100 games for one team in each league.

Ryan Ties a Record in 100th Victory for Astros

HOUSTON — Nolan Ryan joined Cy Young as the only other pitcher in major league history to win 100 games for one team in each league, hurling the Houston Astros to a 6-3 victory Saturday over the New York Mets.

Ryan, the all-time career strikeout leader, fanned five to increase his National League-leading total for the season to 130 and his career total to 4,677.

Houston took a 6-3 lead in the fifth with a four-run rally. After walks to Gerald Young and Kevin Bass, Glenn Davis singled in Young, and Buddy Bell hit single in Bass.

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The more we relish these two squads, the more it seems that the winner Tuesday night should have to play The Hall of Famers Who Aren't Here the following morning.

What we have in Cincinnati is not a youth movement. It is infant worship. Why invite players who have had 10 or 20 fine years, when you can show the world dozens of flashes with names like eye charts who have had an entire hot month?

Or, in some cases, even two.

Weiss Grand Slam Powers A's Past Tigers

DETROIT — Rookie Walt Weiss highlighted a seven-run third inning with his first grand slam in the major leagues and Dave Stewart posted his 12th victory Sunday as the Oakland A's defeated the Detroit Tigers 8-2.

Stewart gave up Darrell Evans' 13th home run, a solo shot with two out in the fourth, plus another run in the fifth. He came out following a one-out walk in the seventh. He had lost seven of his previous 10 decisions.

Terry Steinbach gave the A's a 1-0 lead in the second against Walt Terrell when he belted his fifth home run. Terrell lost his fourth straight decision.

Luis Polonia, Carney Lansford and Mark McGwire singled in the third to make it 2-0 and Dave Henderson singled home a pair of runs following a walk to Ron Hassey.

The second of Henderson's three hits drove out Terrell. Reliever Mike Trujillo walked Steinbach intentionally to load the bases. Glenn Hubbard popped up for the second out but Weiss pounded a 2-2 pitch into the upper right corner of the stadium. It was Weiss' third home run of the season and the second grand slam by Oakland this year.

Angels 7, Indians 5: In Cleveland, Tony Armas hit a two-run homer and Devon White and Brian Downing added solo shots as California extended its winning streak to five games.

Orleans 2, Rangers 1: In Baltimore, Ken Gerhart and Mickey Tetleton each singled home a run and Jose Bautista scattered six hits, all singles, en route to his third straight triumph.

Blue Jays 5, Mariners 0: In Toronto, Jimmy Key pitched a five-hitter over eight innings for his third consecutive victory since returning from elbow surgery and Rance Mullins' two-run homer keyed a five-run first as Toronto blanketed Seattle.

The Mariners advanced only two batters beyond first base against Key, who struck out two, did not walk a batter and lowered his ERA to 1.83.

Royals 5, Yankees 3: In New York, Frank White snuffed a seventh-inning tie with a sacrifice fly and doubled home an insurance run in the ninth, and reliever Rick Anderson pitched 3 1/2 scoreless innings for his first victory.

White Sox 8, Red Sox 7: Red Sox & White Sox 2: In Chicago, Roger Clemens struck out 15 and combined on a four-hitter with Lee Smith, and Boston scored six runs in the 10th inning to gain a split of the double-header.

Brewers 3, Twins 2: In Minneapolis, Jim Gantner doubled home two runs with two out in the ninth inning to rally Milwaukee.

With one out in the ninth, Darryl Hamilton reached first on an infield single off loser Keith Artene. Charlie O'Brien singled and Hamilton stopped at second. Paul Molitor grounded into a fielder's choice, putting runners at first and third. Molitor stole second and Gantner, who singled home the game-winner in the ninth inning Saturday, doubled to left.

Astros 6, Mets 5: In the National League, in Houston, pinch-hitter Rafael Ramirez singled home Kevin Bass with two outs in the ninth inning, lifting the Astros.

Ramirez hit capped a two-run, Houston ninth, making a loser of Roger McDowell.

Reds 5, Phillies 4: In Cincinnati, Eric Davis drove in three runs with a home run and a single to help Cincinnati right-hander Jack Armstrong get his first major-league victory.



Key Quinones of Seattle tagging out Toronto's Kelly Gruber at second in the third inning Saturday.

Davis drove in the Reds' first run with an infield single in the first and hit a two-run homer during a three-run fifth off Shane Rawley, who lost his fifth straight.

Lasorda's Pact Extended: Tom Lasorda, the dean of major league managers, was given a contract extension through 1990 by the Los Angeles Dodgers.

Lasorda, 60, is in his 12th year as the Dodgers' manager and 39th with the organization, for whom he also was a player, scout, minor league manager and major league coach.

A multiyear contract, worth \$500,000 annually, was scheduled to expire at the end of this season.

Lasorda said he agreed to the extension during a dinner meeting Thursday night with Peter O'Malley, owner of the Dodgers, and it was announced Friday.

"I'm extremely honored that Peter would allow me to manage this ball club for two more years," Lasorda said. "I'm a very, very lucky man. I love the Dodgers very much. I'm going to die a Dodger. I'm very proud to be a Dodger."

Lasorda, hired to succeed the late Walter Alton as the Dodgers' manager on Sept. 29, 1976, has guided the team to five division titles, three pennants and the 1981 World Series championship.

British Golf by 3 Strokes

(Combined Dispatches) — Barry Lane of 68 Saturday to capture the Scottish Open on the European Tour. Lane, 29, finished ahead of Sandy Lyle of Scotland, who shot a two birdies and an eagle on the last hole and shot a 72 for third place at 275, matched a stroke back.

Lead in U.S. Golf

(UPI) — Peter Jacobsen scored 67 to earn a share of the one-stroke lead in the first round of the U.S. Open after three rounds at the Atlanta-Fulton County Stadium.

par 69 to stand at 12-under 201. Ken Venturi is a 66. Mark Wiebe, the 1985 Amateur champion, is one back at 202.

World Pole Vault Mark

Sergei Bubka of the Soviet Union broke the performance of 6.06 meters (19 feet, 10 inches) at the Nikaza Grand Prix track meet in Moscow on June 9 in a world record of 6.05 meters (19 feet, 9 inches). Bubka, who has broken the world record in 5.70 meters and 5.86 meters Sunday, is 1.60. He then missed three attempts at 6.06.

Germany sets a world record in the 100 meters

Germany sets a world record in the 100 meters with a time of 10.1 seconds. The record was set by Gerd Kemmerling of East Germany in an Open championship, produced Sunday in a final of the German Open in Westport, Rhode Island.

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ABLE... WHAT CAPS NEVER REAGED...

VIP

VIP... WHAT CAPS NEVER REAGED...

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NOH... WHAT CAPS NEVER REAGED...

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SATURDAY BASEBALL

Young, Gaylor Perry, Jim Bunning and Ferguson Jenkins are the others. Seven pitchers, including Ryan and Young, have won at least 100 games for different teams.

The victory snapped a five-game losing streak for Ryan and a seven-game personal losing streak against the Mets.

"I'm just glad to get the losing streak behind me," Ryan said. "I wasn't thinking about the 100 wins. I'd just as soon get it against the Mets and get it behind me."

Giants 2, Cardinals 2: In San Francisco, Chris Speier hit for the cycle for the second time in his career, Kevin Mitchell tied career-high with four hits and four RBI, and the Giants set a team record for runs as they thrashed St. Louis.

Reds 6, Phillies 3: In Cincinnati, Eric Davis doubled home the go-ahead run in the seventh and Rob Dibble earned his first major-league victory.

Expos 9, Braves 4: In Atlanta, Hubie Brooks drove in three runs to send Montreal to its sixth straight triumph.

The Expos have won nine of their last 10, going 6-1 against Atlanta in that stretch. Montreal collected 13 hits against five Atlanta pitchers.

Pirates & Dodgers 2: In Los Angeles, Mike LaValliere and Barry Bonds each struck a three-run homer, powering Pittsburgh to its fourth straight victory.

Padres 4, Cubs 2: In San Diego, Ed Whitaker allowed only five hits and the Padres scored in each of the first four innings to hand Chicago its fourth straight loss.

Tigers 4, Athletics 3: In the American League, in Detroit, Lou Whitaker hit a three-run homer in the third inning and Darrell Evans had a solo shot in the second as Sparky Anderson posted his 800th triumph as the Detroit manager.

Mariners 9, Blue Jays 3: In Toronto, Greg Briley hit his first major-league homer and Steve Balboni blasted a three-run shot to power Seattle.

CYCLING

Tour de France

SEVENTH STAGE: From Westwood to Balmuccia (225.5 kilometers/139 miles). 1. Valerio Tiberioli, Italy, 5 hours 27 minutes, 10 seconds — average speed 42.255 km/h.

EIGHTH STAGE: From Balmuccia to Nancy (209 kilometers/129 miles). 1. Rolf Gola, West Germany, 5 hours 24 minutes, 18 seconds.

OVERALL STANDINGS: 1. Steve Bauer, Canada, 28 hours 26 minutes. 2. Jelle Nijsen, Netherlands, 40. 3. Eric Bruilink, Netherlands, 40.

TENNIS: U.S. PRO CHAMPIONSHIPS (at Bowling Green, Massachusetts). Horacio de la Pena, Argentina, def. Mats Wilander, Sweden, 7-6 (7-4), 6-1.

SWISS OPEN MEN'S TOURNAMENT (at Gstaad, Switzerland). Darran Conlin, Australia, def. Emilio Sanchez (2), Spain, 4-6, 7-6 (9-7), 7-4 (7-4).

GUNZE WORLD TENNIS TOURNAMENT (at Osaka, Japan). Men's Final: Tim Novotte, U.S., def. Jimmy Connors, U.S., 4-6, 2-6, 6-4.

Women's Final: Steffi Graf, West Germany, def. Manuela Maleeva, Bulgaria, 6-4, 6-4.

TRANSITION

BASEBALL: AMERICAN LEAGUE: BOSTON — Placed Larry Murray, pitcher, from Postville of the International League to the 15-day disabled list. Called up Steve Curry, pitcher, from Postville of the International League.

NATIONAL LEAGUE: NEW YORK — Recalled Randy Valenzuela, infielder, from Columbus of the International League. Optioned Jeff Butner, outfielder, to Columbus.

HOUSTON — Fred Stanley, director of baseball operations, resigned. NATIONAL HOCKEY LEAGUE: BOSTON — Signed Gary Galtier, defenseman, to a one-year contract and sent a 1989 third-round draft choice to the Washington Capitals as compensation.

U.S. BASEBALL FEDERATION — Gross Olsen, pitcher, has asked for and been granted his release from the U.S. Senior National Baseball Team.

COLLEGE: ARIZONA — Anthony Smith, defensive lineman, has transferred to Arizona from Alabama and will be eligible for the 1989 season. CLARK, GA. — Named William Spencer baseball coach and Raymond Williams athletic director.

SCOREBOARD

BASEBALL

Friday's and Saturday's Major League Line Scores

Table with columns for Team, W, L, Pct., and Runs, Hits, Errors. Includes American League and National League games.

Major League Standings

Table with columns for Team, W, L, Pct., and Games Behind. Includes American League and National League standings.

AUTO RACING

Table with columns for Driver, Team, and Time. Includes British Grand Prix and other races.

DRIVER STANDINGS

Table with columns for Driver, Team, and Points. Includes British Grand Prix and other races.

